THE CONSOLIDATED BANK OF CANADA.

A COMPILATION.

By JOHN F. NORRIS.

Montreal:
1879.

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MONTREAL.

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TO THE READER.

The magnitude of the losses that have recently been sustained by shareholders in certain banking institutions, together with the developments which have been made as to the loose manner in which some of our Provincial institutions have been administered, have induced the Compiler to lay before the public, in concise and consecutive shape, the proceedings attendant upon the stoppage of the Consolidated Bank of Canada, which, in this form, will doubtless prove interesting to those who are concerned in our Joint Stock institutions, and will, it is believed, be valuable as a work of reference hereafter. The fact of the conviction of a Bank President having been secured, whose offence appears to have been that of gross carelessness rather than of wilful malversation, together with the circumstance of the ladies having taken prominent action in the proceedings, are matters that serve to add increased importance to the whole affair.

. THE

CONSOLIDATED BANK.

Its Establishment, and its Career until its Downfall.

The Consolidated Bank was an amalgamation of the old City Bank of Montreal, and the Royal Canadian of Toronto, the President of the latter institution being at the time of the union Hon. A. Campbell, of Toronto.

The City Bank was incorporated on the 3rd April, 1833, by a number of Montreal merchants. The charter members were Messrs. James Henry Lambe, Thomas Storrow Brown, Stephen Field, John Adams Perkins, William Ritchie, Stanley Bagg, James Fisher, John Donegani, Nicholas P. M. Kurczyn, James Millar, J. Dominique Bernard, John Frothingham, Joseph Trumbull Barrett, Joseph Roy and William Peddie. Mr. John Frothingham, the senior member and founder of the Montreal hardware house of Frothingham & Workman, was the first President. The original capital stock was to be £200,000 ($800,000), Halifax currency, in 8,000 shares of £25 ($100) each. The Bank, from its inception, seems to have met, from time to time, with very serious losses. So serious were these that at one time the capital was about gone, but it again recuperated. In 1837 and 1838, in consequence of financial derangement in the United States, both the Government and the banks there had suspended specie payments, and to prevent the drain of specie from Canada which was going on, the banks here temporarily suspended. At one time, when the capital stock was at $1,200,000, it had $800,000—two-thirds of the entire capital—at risk between three business houses. In 1849 Mr. Frothingham retired from the Presidency of the Bank, and the late Mr. William Workman was appointed. Mr. F. Macculloch was at the same time made Cashier. The stock of the bank at this time sold at 46, but gradually ran up to par. When Mr. Workman and Mr. Macculloch had managed the bank for some twenty odd years, the stock again ran down to about 30, and, the opinion being expressed that a change of management would be salutary, both these gentlemen in 1873 retired, and Sir Francis Hincks, late Dominion Minister of Finance, was elected President, and Mr. J. B. Renny, from the Quebec Bank, was appointed Cashier. The stock again rose to par, but still there was dissatisfaction. The Royal Canadian was at this time open for a change, and arrangements for amalgamation were made which were carried into effect in 1876. The united subscribed

capital then amounted to $3,500,000, and as the City Bank had a larger surplus than the other, the Royal Canadian paid into the new concern, the Consolidated, $60,000, or 3 per cent. of its capital as an equivalent. The stock of the bank is spread from one end of the Dominion to the other, and is also held in England, Scotland, Ireland, Newfoundland, France, and even a few shares in India. The total number of shareholders, according to the list published on the 10th May last, was about 1,575. One hundred and six persons held 2,924 shares, representing $292,400, as trustees, or in trust for others. Seventeen hundred and forty-two shares were held by 75 executors of estates. Three hundred and seventy-six shareholders were women, the great majority widows or unmarried. Forty-one clergymen held shares to the extent of $53,700, or an average of $1,066 each. By the Presbyterian Church of Canada 313 shares were held on account of the Temporalities Fund, the purchase price having been upwards of $32,000. The Church of Scotland held, at the time of suspension, $8,800 of stock, the Temporalities Board $1,700, and the Widow's Fund of the Church $5,000.

THE ANNUAL MEETING.

General Statement of Affairs—The position of the Bank Reviewed—The Bank's Losses—Full Information Demanded—Reduction of Stock and of the Directorate.

The Annual General Meeting of the Bank was held at the head office, Montreal, on the 4th June, there being a large atnendance of Shareholders, Sir Francis Hincks, President, occupying the chair.

The meeting having been called to order,

The CHAIRMAN said—Gentlemen, I move that Messrs. Thomas Wilson and John Moat be named scrutineers to receive the votes of the shareholders for the election of Directors, and if necessary for the confirming of the Acts of Parliament to be submitted to this meeting, and also that Mr. C. H. Wethay be Secretary of this meeting. Mr. John Grant seconded the resolution, which was carried unanimously.

The CHAIRMAN—I have now to read the report of the directors which is as follows:—The Directors deeply regret that they have to meet the shareholders with so unfavourable a report of the condition of the Bank as that which it is their duty to submit, and which is as follows:—

Balance at credit Profit and Loss Account, 10th May, 1878.....	$ 9,793
Profits for year ended 10th May, 1879, after deducting expenses of management and interest paid.....	257,346
	$267,140

APPROPRIATED:		
Interest reserved	$ 33,504 74	
Bad debts, 10th November, 1878	85,117 73	
Dividend, 1st December, 1878	104,145 30	
		222,767 77
		$ 44,372 78
Rest transferred		232,000 00
		$276,372 78
Appropriation for losses ascertained, and for further depreciation in securities	$575,268 13	
Balance, Preliminary Expenses and Bank Note Account	32,351 18	
Reduction in Bank Premises	119,646 00	
		727,265 31
Deficiency		$450,892 53
40 per cent. reduction of the Subscribed Capital, authorized by Act of Parliament		$1,394,600 00
Deduct Deficiency as above		450,892 53
Surplus		$943,707 47

In view of the continued depression in business, and the consequent shrinkage in the value of property of every description, it could scarcely have been expected that this Bank could have escaped without loss, and when it became clear that the known losses would exceed the Rest and that not only would there be no means of paying a dividend for the half year lately terminated, but that the capital had been impaired, it was deemed advisable in the interest of the shareholders to obtain authority from Parliament to reduce the capital stock, and as a necessary consequence of such an application, a re-valuation was made of all properties held by the Bank whether for business premises or as security for overdue debts. A Bill had been introduced by the Government at an early period of the late session of the Dominion Parliament which contained a clause authorizing the Governor-General-in-Council to sanction the reduction of the capital of a chartered bank under defined restrictions, and, as there seemed a reasonable prospect of this Bill becoming law, the Directors did not deem it expedient to take any action regarding the reduction of the capital, until after the annual meeting, and a full discussion with the shareholders of the proposed measure. Within a few days of the close of the session of Parliament information was received that the clause referred to had been expunged from the Bank Bill in Committee and it then became absolutely necessary in order to secure the resumption of dividends that the necessary sanction should be given by Parliament to a Private Bill to reduce the Capital Stock. Consultation with the shareholders, prior to the presentation of the petition, was absolutely impossible; but the reduction was authorized subject to their approval, and the Directors have no hesitation in recommending that the necessary consent to that reduction be given by the present meeting. They likewise recommend that the Local Board at Toronto be abolished in conformity with the Act passed during the last session of Parliament,

and that, in accordance with the same Act, the Board of Directors be reduced to seven. The Directors, after due consideration of the affairs of the Bank were of opinion that the maximum reduction of capital which it would be necessary to seek would be 33⅓ per cent., but as it was deemed advisable by the Select Committee, to which the Bill was referred for consideration, in view of the continued depression of business, to recommend a reduction of 40 per cent. instead of 33⅓, they did not deem it expedient to abandon the Bill, and if it should receive, as they confidently anticipate that it will, the sanction of the shareholders, the surplus will be, as shown in the statement submitted herewith, $943,707.47. As a consequence of the dimunition of the capital of the Bank the Directors have already transferred some of the agencies on satisfactory terms, and will avail themselves of favourable opportunities of closing others. The general statement is herewith submitted. It exhibits a considerable reduction in the liabilities of the Bank chiefly owing to diminished circulation and deposits.

F. HINCKS,
President.

GENERAL STATEMENT.

10*th May*, 1879.

Liabilities.

Capital Stock paid up		$3,471,936
Reserved Interest	$ 33,504 74	
Unclaimed Dividends	7,178 91	
		40,683
Notes in circulation	$ 777,346 00	
Deposits payable on demand	2,101,026 98	
Deposits payable after notice	1,460,084 73	
Balances due to Foreign Agents	250,343 28	
Balances due to other Banks	10,181 98	
		4,599,982
		$8,112,603

Assets.

Gold and Silver Coin	$ 220,570 98	
Dominion Notes	237,930 25	
Notes and Cheques of other Banks	162,325 89	
		$ 620,827
Government Debentures		70,566
Notes discounted Current and Loans to Corporations	$ 6,106,847 59	
Debts secured by Mortgages and other securities	287,923 85	
Real Estate and Mortgages on Real Estate, the property of the Bank	181,148 08	
Overdue Debts not specially secured (Estimated Loss provided for)	244,397 49	
		6,820,317
Bank Premises		150,000
Total Assets		$7,661,710
At debit of Profit and Loss		450,892
		$8,112,603

The CHAIRMAN continued to remark that the shareholders had been placed in possession of that report for several days, and had had an opportunity for its consideration. It was his duty to move its adoption, and in doing so, he could assure them it was a most painful duty, as he was sure every one of them would understand, to have to do. Any one knowing anything at all about business must be well aware of the extraordinary depression which the Directors had had to contend with, and if they seemed to have written off at present a very large amount of bad debts, the shareholders must bear in mind the peculiar position in which the Directors had been placed. Referring to the question of Real Estate, the Chairman said it was necessary to write down the buildings, as no rent was charged for them, they being the property of the Bank, but it was another thing when the reduction of capital was to be dealt with. They had then to deal with everything, and to write down properties which they would not otherwise have written down. He had seen some years of the depression in trade, and then gave his opinion that it was to the extraordinary inflation in business, owing to great enterprises then being carried on not only by the Government, but by private corporations, and from large expenditures of capital for permanent works of one kind or another, which had not turned out remunerative, and which the banks were very much blamed for encouraging. He very much doubted that the banks were so much to blame, and was not aware in his banking experience that the banks had forced their business on any class of customers as had been alleged. If he looked back upon anything with regret it was that the Bank went into consolidation without a much larger Rest, and probably the wisest thing that could have been done would have been to have availed itself of the opportunity to reduce the capital and leave a larger surplus. He had, of course, read with care the proceedings of the annual meeting of the great institution—which was their immediate neighbour—and therefore could form some idea of what are considered to be the general opinions expressed, but he might say more especially upon the Banking Act of the Dominion. That Act is likely to engage the attention of Parliament at no distant day, and he need only say that in the suggestions made for improvement, he, for one, could see nothing to dissent from. No one in connection with that Bank had any objection to the appointment of auditors, but he was not prepared to express an opinion as to whether a general system of auditing applied equally to all the banks under the authority of the Government would be the best; all that he could say was that he would not in the slightest degree dissent, only he would just throw out a doubt on the subject. The meeting would see from the statements submitted that they were in a different form to what they had been—he was bound to say a much better form. The fact was it had been usual to mix up the bad debts with the profits, but in this case a different course had been adopted. A great deal of complaint had been made by shareholders on one thing that he was bound to explain, the complaint was that the capital had been cut down without the consent of the shareholders and without their knowledge. He could only say this that, to the Directors' amazement, one Friday evening they received news by telegram that the clause of the Banking Act reducing the capital of the banks had been struck out. There was not a moment

to lose; in fact, Parliament was expected to close in a day or two. At all events, it was an exigency which allowed of no time for the Directors to consider, even amongst themselves, what the reduction should be. His own opinion was that it should be 25 or 33⅓ per cent. He immediately left for Ottawa, resented himself the next morning, succeeded in getting the forms of the House suspended, and in getting the Bill altered in the course of the week with regard to the reduction. The Bill was referred to a select committee. He held three meetings with those gentlemen, and did everything to make the reduction 33⅓ per cent. The discussion was as to whether it should be reduced to 50 or 60 per cent., and he was actually under the impression and also telegraphed that he feared they would have to submit to 50 per cent. reduction. Of course it made no difference what reduction was made; the property was there although it would not have been a good thing to have had to submit to 50 per cent. On the Friday morning, he succeeded in getting them to consent to the capital standing at 60 per cent., and could do no more, and he felt satisfied that the course adopted had been in the interests of the shareholders. It was unnecessary for him to trouble the meeting with any further remarks in moving the adoption of the report. He could perfectly understand that the shareholders would feel disappointed in not getting a dividend, but he might say the shrinkage on property of every description was very extraordinary, and he had no hesitation in saying that the bank stocks of the Dominion of Canada for the past five years had diminished twenty-five millions of dollars. What the amount of shrinkage in property of every kind, on real estate and merchandise of every description was, he could not say, but it was very great. He had been quite stunned at the continual depression. He was among the oldest individuals in that room and had had a great deal of experience, and could only say that he had never witnessed such a state of things. He sincerely hoped that, as things were improving in the United States, we might have a revival of commercial prosperity. With these remarks, he moved the adoption of the report.

Mr. J. H. Joseph asked for a statement showing the expenses of management.

The Chairman said that he did not feel authorised to give the details that Mr. Joseph required, and in fact, without going into particulars, they might be misleading. The expenses of management had been most materially reduced, and were in process of further reduction. There was every desire on the part of the Directors to meet the wishes of the shareholders.

Mr. J. H. Joseph was very sorry to have to complain that the expenses of this institution had been variously reported—the lowest estimate being 4½ per cent.—and it was merely to ascertain if such was the case that he put the question.

The Chairman—They may be 4½ per cent.

Mr. J. H. Joseph said the Chairman referred to a reduction taking place. He knew that a reduction was promised two years ago. If 4½ per cent. was the rate after reduction, what must it have been previously? He thought it would be better to satisfy the stockholders on this point. He did not see that it would endanger the Bank.

The CHAIRMAN said that it must be borne in mind that the incidental expenses of an institution like this were very heavy, and that the number of agencies involved a great deal of expenditure.

Mr. J. H. JOSEPH—Is there no statement showing the losses of any of the agencies?

CHAIRMAN—It has not been usual to give details.

Mr. J. H. JOSEPH—But this is an unusual state of affairs.

CHAIRMAN—There have been very considerable losses in Toronto.

Mr. J. H. JOSEPH—Will you state the amount?

Mr. HALDANE—It will be difficult to answer the question with regard to each particular agency; but I would like to know the losses made in the Provinces of Quebec and Ontario respectively for the present, or from the period of consolidation?

CHAIRMAN—Since consolidation the losses in Ontario have been $548,000, and in Quebec $299,162.

Mr. HALDANE—But what have been the losses respectively between the two Banks prior to the consolidation?

CHAIRMAN—You mean the losses of each Bank since the amalgamation?

Mr. HALDANE—I mean the losses between the two Banks before?

CHAIRMAN—That would be very hard to get at. Substantially they would be the same in proportion to their respective capitals. The losses of the City Bank since amalgamation have amounted to $316,000, and the losses of the Royal Canadian have been $541,069. Of course they had a larger capital and more agencies.

Mr. HALDANE—Be kind enough to give me the respective losses for Ontario and Quebec on the City Bank business, and the losses for Ontario and Quebec on the Royal Canadian business, and also the losses on the business of the Royal Canadian previous to consolidation?

The CHAIRMAN—We have not the means of giving the losses before consolidation.

Mr. HALDANE—No; but the losses that fell upon this Bank?

The CHAIRMAN—It is difficult to distinguish them. A great many were old accounts. The Royal Canadian had a great number of agencies, and we got a great many of these agencies. The losses were beyond the control of any one owing to one important cause, the extraordinary run on the salt industries. Mr. Wm. Thompson, formerly a member of the Toronto Board, is, perhaps, more familiar with that than I am.

Mr. WM. THOMPSON—That question was very important and had a great influence on the Bank. Many of the losses have come from the Royal Canadian.

Mr. HALDANE—I merely want to get an approximate of the figures?

The CHAIRMAN—I will give you the exact figures. The proportion is 531 to 316. Considering the large number of agencies, and the capital of each Bank, it is not so very great a difference.

Mr. JOHN CRAWFORD—I would like to ask the beneficial effect that a satisfactory explanation of this difference would have?

Mr. ANDREW ROBERTSON—As I understand you, Mr. Chairman, the losses amount to $847,000 for Quebec and Ontario, of which $316,000 have been incurred upon the City Bank's customers, and $541,000 upon the Royal Canadian customers.

Mr. HALDANE--I wanted the proportion of the losses before consolidation ?

Mr. SAUNDERS moved, seconded by Mr. S. H. EWING, the following resolution : Whereas an Act has been passed by the Parliament of the Dominion of Canada, entitled "An Act respecting the Consolidated Bank of Canada," and which is in the following terms :—

Whereas the Consolidated Bank of Canada has by its petition represented that it would be for the interest of the said Bank that the number of its Directors should be diminished, and that its local Board at Toronto should be abolished, and has prayed that the said changes in its organization should be made, and it is expedient that the prayer of the said petition should be granted : Therefore Her Majesty, by and with the advice of the Senate and House of Commons of Canada, enacts as follows :

1. From and after the next annual general meeting of the shareholders of the said Bank, the Board of Directors of the said Bank shall consist of seven Directors only, and at that meeting seven Directors only shall be elected for the management of the affairs of the said Bank.

2. Upon, from and after the said next annual general meeting of the shareholders of the said Bank, the Local Board of Directors of the said Bank, heretofore existing at Toronto, shall be discontinued and abolished ; and the functions heretofore exercised by the said Local Board, shall thereafter be performed in such manner as shall be ordered by the by-laws of the Bank.

3. Neither of the preceding sections of this Act shall have any force or effect uuless approved at the next annual general meeting of the shareholders of the said Bank, or at some adjournment thereof, or at a special general meeting of the shareholders thereof called for the purpose of considering the same; and at any such meeting one of such sections only may be approved, if it be so determined by the shareholders, and shall have force and effect accordingly.

And Whereas, due notice has been given that the said Act would be submitted to this annual general meeeting for approval ;

And Whereas, this meetiug has duly considered the said Act, and deems it desirable that said Act should be approved and confirmed ; It is resolved that said Act be, and the same is hereby approved of and confirmed in all respects.

The CHAIRMAN--Is it your pleasure that the report be adopted before this resolution is put ? (Cries of No ! No !) I presume there are some dissentients, but I don't think there can be any really formidable opposition to its being adopted.

Mr. JOHN CRAWFORD—It should be received and then it might be adopted at a subsequent period of the meeting.

Mr. HENRY YATES—There seems to be a disposition to keep back information from the shareholders. I think we ought to have the information. In the part of the country were some of the agencies in Ontario are—for instance, Norwich—it would not pay the Bank Managers' salaries if they did business there. Two years and a half ago the matter was discussed, with regard to the Toronto business, and the agent was considered not to be the man for the place ; yet he has not been removed

and hence our losses. I have been out of the country for a long time, and have had no opportunity of criticising the affairs of the Bank, but I think our losses have been made through a want of attention to the business. I think this nonsense about depression in thrust in just to gloss over bad management, and whatever decision you may arrive at with regard to putting down our capital or passing the dividends, I think we ought not to let these men manage our business any longer. I for one would most decidedly object to it.

Mr. J. H. JOSEPH—I don't see why there should be any secrecy about the matter, and why there should be any hesitation about informing us what the losses have been in Seaforth and what in Toronto. The best and the only way is to give this information.

(Cries of "The only way, the only way.")

Mr. J. H. JOSEPH—I would urge, as has been suggested by Mr. Crawford, just to allow the other business to go on, and be prepared to consider whether the other particulars should be gone into afterwards.

The CHAIRMAN—I have no desire to withhold the information. It has been usual to give these particulars, and it requires a few moments consideration. The Norwich agency, the one which the gentlemen mentioned, or referred to as being a bad agency, has not been a bad agency at all. It is a mistake to suppose that it would not pay the Manager's salary to run the Norwich Agency. That agency has been parted with and handed over to another bank, not because we wanted to part with it as an agency that would not pay, but because we wanted to reduce our agencies, and as there is no secret about it—the announcement has been in the newspapers—I may tell you that it has been handed over to the Bank of Commerce, who have had an opportunity of looking into the whole of the accounts and everything connected with the agency and who would hardly have taken it over if they did not consider it a desirable one.

Mr. W. THOMPSON—I would like to state one or two facts with reference to the Norwich agency and Seaforth business. At that time I was a director. I visited Norwich in concert with other Directors. Norwich was spoken of favourably to us. It was recommended to us as being a point where a large amount of deposits could be obtained, and it proved a success. In regard to Seaforth, namely, the salt industries, which were located there, the very large amount of capital embarked in those industries led everyone of us to avail ourselves, with considerable satisfaction, of one or two offers made to the Bank by a number of gentlemen who interested themselves in these works, and we felt justified in taking up the two or two accounts that have unfortunately since become bad. That is a matter which none of us can blame ourselves for. It had an honest, and foundation, and we have sustained a loss, and that loss has been dealt with as the Chairman justified in reading the report.

Mr. JOHN CRAWFORD—I would say it is not to be wondered at that people should chagrined at the losses which they have to submit to, but some consideration should be extended to the Board on account of the slowness of shareholders heretofore. They have been very lax in asking for information; asking has not been the rule but the exception. They must not therefore be too hard upon them now. I would not expect

to get satisfactory answers to any questions I might wish to put. I might call upon the Chairman to make some concessions; and I am very glad to hear him say that he would make concessions, particularly with regard to that question of bad debts, and I think it is a concession we should all be glad to hear from the Chairman of any Bank officiating at such a meeting. We shall get the information asked for by Mr. Joseph and the losses suffered will not have been suffered without some consideration. I was glad to hear the Chairman express an opinion that the amalgamation was too precipitate. I thought so at the time. I opposed it on the ground that we were asked to do something with our eyes closed. I was right and am glad to hear the Chairman acknowledge that that was the case. It is very satisfactory to find the Directors of the Bank of Montreal as well as those of other banks receiving the suggestions of shareholders, and it will tend to bring these more practically in contact with the management than in the past.

Mr. FRED HAMILTON—I think the shareholders do not think it a concession but an undoubted right that the Directors should give all the information required by the shareholders. I think the Chairman's remarks are quite conflicting with regard to the agency handed over to another bank. What about the Berlin branch? These are explanations which we must have. We do not go in for any concessions. If we happen to lose, we will know the reason.

Mr. JOHN CRAWFORD—I did not mean what I said to be taken that way. I meant that it was in the power of the Directors under the Act of Parliament to prevent us from doing what we are allowed to do.

The CHAIRMAN—Gentlemen, I can answer the question. In reducing our capital very materially we wished to diminish our business. The agency has not been a bad one, neither at Berlin nor Norwich. I am quite ready now to go into the question which Mr. Joseph asked, which I did not care to do on my own responsibility. I am ready to go into the losses and everything connected with it.

Mr. HALDANE—As to Mr. Joseph's question, it appears to me if you give Ontario and Quebec, that would be sufficient. If you get Ontario and Quebec that would be enough without going into details of each agency.

A Voice—We want to know if any of the managers of the branches are friends of the Directors?

Mr. J. H. JOSEPH—We cannot infer from the mere fact of another having disposed of the agency that it was an unprofitable one. In regard, however, to the question of charges of management I have had it stated that 6 per cent. of the capital was defrayed for expenses at one time, and that now it is 4½ per cent., as admitted by the President. I wanted to scan some of the expenses of the Institution, because it is currently reported that the expenses are enormous; all will be at rest with a plain explanation. Allusion is made to the depression. Depression does not interfere with the profits. That is an old whim which ought to be disposed of. Depression can only affect the amount of business done at the Bank, not the profits on the business. More depression and more profits I should think. Another reference is made to consolidation, and all the blame is placed upon consolidation. I had a great deal

with it. The consolidation was with a bank of good business, of good
wish to put. epute and standing, but under bad management. The matter was a
; and I am ve atter of agreement, and the consolidation was carried out with mutual
articularly wi tisfaction. That consolidation would have been eminently beneficial
a concession o this institution but for the mistakes made by our own Board. The
nk officiating efficiency of the man in control at Toronto was the cause of the Royal
r by Mr. Josep anadian Bank's bad management, and one of the objects of the consoli-
ut some conso ation was to substitute a better management at Toronto. The first
opinion that istake made by this Bank after consolidation was the re-appointment
time. I oppo Toronto of the man whose bad management had necessitated consoli-
g with our e ation. I did my best to stop that, but in vain. It was determined to
n acknowledg nd him back to Toronto, and one of the Directors at that time with-
the Director rew in consequence of that step; and if you had had that man still on
eceiving the e Board of Directors there would have been no 40 per cent. now struck
e more practic off. Well, the man to whom I objected was sent to Toronto, and what
as the result? He made advances to a firm, of which a member was a
do not think slative of his own, to the extent of $160,000, and that firm failed; $50,-
should give all 00 of the amount of these advances were made without any endorsation,
he Chairman's id the firm paid 15c. in the dollar.
cy handed ove A Voice—$100,000 of the $160,000 was endorsed.
se are explanat The Chairman—With regard to that, I think it unfortunate that
ssions. If we l r. Joseph should go into this. I dislike going into particular cases.
laugh.) It is one of these cases. (Another laugh.) Gentlemen
id to be take ugh, but I advise people who want to enjoy a joke to wait until the end
Directors unde it, and not to interrupt by laughing. A great many in this country
are allowed to ve the impression that every one who is unfortunate in business and
e question. Is ls, is the perpetrator of a swindling transaction, and that their failure
inish our busi part and portion of the swindle. With regard to the house to which
lin nor Norwic ference is made, that firm was perfectly solvent, and the head of that
ch Mr. Joseph m was a man of considerable private means independently of his busi-
ity. I am rea ss. The firm was unfortunate in incurring great losses, and no influ-
ce in the shape of family connection had anything whatever to do with
it appears to firm's account. It is certainly true that, in consequence of its failure,
ent. If you ge Bank has made a very heavy loss.
going into deta A Voice—I would like to ask the President if that gentleman of
siderable private means is rich still?
agers of the bra Another Voice—No. But his wife is.
Mr. J. H. Joseph—You refer, Mr, President, to one firm and I refer
e mere fact of another.
profitable one. Chairman—No. I think I refer to the same firm.
agement I have Rev. James Green—I presume gentlemen have come with the view
d for expenses rying to amend the state of things. It seems to me that a great deal
by the Preside what has taken place will not have an advantageous effect. According
stitution, becaus he report before us, the stock is down to 84 or 85 per cent., and, if
s; all will be at thing could be done to restore confidence in the Bank, that would be
epression. Dep best thing we could do, and the appointment of auditors would be
whim which ough ch more likely to bring out the matters required to be looked into,
nt of business d n any other course that could be adopted, and if these auditors were
e depression an ointed it would be better to hit upon some plan to get at full informa-
le to consolidati of the Bank's condition.
ad a great dea

Mr. JOHN CRAWFORD--I came here to use my influence to get th auditors appointed to get at the state of the Bank's affairs, and this wi have to be done before confidence is restored. There may have been th best management in the world. The question of submitting to a reductio of 40 per cent. should be thoroughly discussed. It would have been satisfa tory to me if the reduction had been 50 or 60 per cent. It would have be much more preferable in my judgment; the investment would have be most profitable if the Directors had consented to make a transfer of 50 60. This would have been a magnificent reserve, and would have stored confidence. I hold that a Rest is the main-stay of a Bank a the only item of the statement submitted to-day which gives me co dence in the solvency of the institution; and as it would not cost t Bank a dollar by increasing this Rest, it should have been increased s more, as a means of bringing back confidence. When you propose make a reduction of 40 per cent. you fail to realize the wants of the Ba I would take no half measure. I would go to the bottom of its affai and I contend that that is what is required to bring the institution int position to regain the confidence of the public.

Mr. HENRY YATES—Until the Bank's affairs are turned inside out confidence will be restored. Why not adopt this course. I think t whole of the affairs of this Bank are loose in connection with it. Gi us a proper exposé. In order to establish confidence auditors should appointed or a Committee of Shareholders to go thoroughly into affairs of the Bank. I have a large interest in it, and do not want 40 cent. of it to be washed away and given to these gentlemen to misman The President has the art of saying a great deal and meaning little. Directors were aware two years and a half ago that this depression coming upon us, and they ought to have taken in the sails; but I told that they have actnally been looking up people and asking them their money. This may not be true, but——

Mr. JOHN GRANT—You should not say it unless you know it to true.

Mr. YATES--The Directors I say should have known so much of business that they would have reduced these monies lent out to s reasonable limit. Auditors should be appointed, or a Committee Shareholders to make a searching investigation.

Mr. JOHN CRAWFORD--A great deal of what that gentleman has is true, but we must blame the Act of Parliament for it. Suppo auditors were appointed it would be doubtful whether they could go the office of the Bank and examine the bonds. (Mr. Joseph—No, it be the Directors.) If the shareholders join together in appointing tors, that is the only way to reconcile the discrepancy that gentle have allowed to arise by means of bad debts, but I doubt that if we pointed auditors to-day whether it would be a success.

THE CHAIRMAN—Are you sure that what you say is quite true the gentleman examines the accounts he would see that what he sa incorrect, and that they have been curtailing and are curtailing. T is one thing I intended saying and forgot before, which might meet views of the two gentlemen who have just spoken. It is generally posed, and it is one of the points which requires correcting, that Dire

Banks manage things in such a way that they have great influence over the votes of the shareholders. No one can say that I ever sought to get proxies and I may here mention that one gentleman voluntarily ent me his proxy, and this gentleman knows all about everything con-ected with the Bank's affairs. There are opinions similar to those held y Mr. Yates. Communications have taken place, based upon the idea hat the Directors have a good deal of influence in controlling votes, and propositions were made for the appointment of two gentlemen of influence nd that the votes that we could control should be given to those gentle-en who might render valuable assistance to the present Board. All hese statements of the Directors having an interest of one kind or nother is entirely a mistake. Every one of them is disinterested, and am not afraid for my own part if every individual in this room invest-gates my conduct in reference to the Bank's affairs. These two gentle-en will render more assistance and give better advice than any auditors uld do.

A Voice—What is the question now before the meeting?

Another Voice—To receive the report.

The Chairman—I think the report has been received.

Mr. A. Saunders then put his resolution, which was carried.

Moved by Mr. John Crawford, seconded by Andrew Robertson.—hat Whereas, an Act has been passed by the Parliament of the ominion of Canada, entitled: "An Act to make further provisions res-ecting the Consolidated Bank of Canada," and which is in the following rms:—

Whereas, The Consolidated Bank of Canada has by its petition re-esented that owing to recent heavy and unexpected losses the capital the Bank has been impaired, and it has been found necessary to sus-nd the payment of dividends; that it is most important in the interest the shareholders that the payment of dividends should be resumed at early a date as possible, and that to accomplish that end it is necessary at the capital stock of the Bank should be reduced immediately, to the tent of forty per cent.; and whereas, it is expedient to grant the prayer the said petition: Therefore Her Majesty, by and with the advice and nsent of the Senate and House of Commons of Canada, enacts as llows:—

1. The nominal value of the existing subscribed shares of the said nk shall be reduced to sixty dollars each on the first day of July, in e present year, one thousand eight hundred and seventy-nine; provided ways, that nothing herein contained or done hereunder shall in any y affect or diminish the present liability of holders of shares unpaid or t paid up in full, to pay up in full the amount of such shares to the esent nominal amount thereof.

2. From and after the said first day of July the votes by the share-lders of the said Bank shall be computed upon the basis of the new ck, and no transfer or other transaction of any kind or nature what-ver shall thereafter be made or take place except in respect of the said w stock, and the Directors may thereupon close the transfer books of Bank for a period not exceeding one week, for the purpose of re-anging the stock books of the Bank.

3. The foregoing provisions shall not take effect until this Act has been accepted by a resolution passed by a majority of votes at the now next annual general meeting of the shareholders, after due notice that such acceptance will be proposed thereat, or at a special general meeting of the shareholders called for the purpose of considering the proposed acceptance of this Act.

4. Nothing in this Act shall be constructed so as to lessen or vary the liability of the shareholders of "The Consolidated Bank of Canada" to the present creditors thereof.

And whereas due notice has been given that the said Act would be submitted to this annual general meeting for approval and acceptance. And whereas this meeting has only considered the said Act, and it is desirable that the same should be approved, accepted and confirmed;

It is *Resolved*, That the said Act be, and the same is hereby approved of accepted and confirmed in all respects.

In moving this resolution, Mr. CRAWFORD said—The subject of a reduction of capital of 40 per cent. meets with my approval, but I would have been glad if this resolution had been put into the hands of some one representing a larger amount of stock. While admitting the necessity for such a resolution, which I have no hesitation whatever in moving, I should have preferred the adoption of a resolution for a reduction of 50 or 60 per cent. I am, however, happy to move the adoption of the resolution.

Mr. ANDREW ROBERTSON said the reduction is the only way for the future succes of the Bank to be secured. It can make no difference whether it is 50, 60, or 70; the assets will be the same. It is quite clear that the difference would be nothing.

Mr. JOSEPH—I am sorry that I cannot accept. At least, I move to accept the resolution, but I do not approve of the arguments of Mr. Crawford. You strike off 40 per cent. and advance the Rest 45 per cent. The argument of Mr. Crawford is a poor one. I would rather not accept but reject the bill; it will make a difference of three or four months, not twelve months. Instead of paying a dividend in December you could, by a short delay, have an Act passed in February or March next.

Mr. CRAWFORD—In explanation to my friend, Mr. Robertson, I would say that while the assets would be the same there would be a transfer from the capital to the Rest account. The public will place their money in this institution knowing that they will have to provide for a dividend. On this ground I think we might have submitted to a greater reduction.

Mr. THOMAS WORKMAN—I think we had better at once reduce it to 10 per cent.—(A Voice—"5 per cent.")—for the lower we get the better, according to Mr. Crawford's contention. That is one of the absurd arguments we had from him before. The great object is, of course, to keep the confidence of the public, but I think by our discussion we have so far tended to destroy that confidence which the Bank has hitherto enjoyed. The best plan is to bring men upon the Board to look after the affairs properly. I look upon the two gentlemen who I believe will be elected to-day as being the proper ones to see that the affairs of the Bank are economically and judiciously managed. There is an impres-

that the expenses are far beyond what they ought to be, and it will be the duty of these gentlemen to decrease that expenditure, and bring it within the means at the disposal of the Bank, and I hope that any feelings against the Bank will be all removed. We are all interested in its affairs, and ought to try to restore confidence and bring back the property of the Bank to its proper value. When a Bank ceases to pay dividends there are a great many needy people who have to part with their stock to get means of living, and the public does not like to invest in a Bank that is not paying a dividend. I hope at the next dividend meeting, probably in December, the value of the stock will have approximated to 60 or 65, that it will have an adding power, and not be neecessary to take off 60 per cent.

Rev. Jas. Green—While I quite agree with Mr. Workman that we should do nothing to depreciate the value of the Bank's stock, I fear that this discussion is having that tendency. The motion before the meeting for a reduction of the capital is a plain one, and whether we like it or not we have got to submit to it. I would like to see the submission taken with a good grace, and pass on to the consideration of some measures for the future conduct of the Bank's affairs.

The Chairman, in the course of some further remarks, referred to the observations of Mr. Joseph, to the effect that postponement would enable the Bank to obtain a better Act of Parliament, more in accordance with Mr. Joseph's views and of his the Chairman's. But he did not think they would succeed better next session than last, unless the stock went up considerably. The assets of the Bank, as Mr. Robertson said (if the stock was reduced to 60 per cent.), would be considerably more than the market price at the present moment. With the large surplus that there is he did not see why there should be any dissatisfaction in assenting to the motion.

Mr. Robert Anderson said a motion has been put in my hands with a view to reduce the number of Directors, and the number that shall form a quorum. It reads: That By-law No. 2 be amended by striking therefrom the words "ten" and "five" and substituting therefor the words "seven" and "four" respectively.

Mr. D. Morrison seconded this resolution, which was carried.

Mr. John Crawford—May I ask if, under the present By-law, the sum of $15,000 has been set apart to pay the Directors' salaries?

The Chairman—The By-law that exists is a permissive one.

Mr. Crawford—Then that resolution would permit the reduced Board to pay themselves $15,000. I would like to get the information.

Mr. Yates—We should really know more of this business; there are $15,000 set apart under a By-law to pay Directors for losing our money during the past three or four years.

Mr. Crawford was in favour of modifying the Act, but certainly not of repealing it.

The Chairman simply observed that although $15,000 was allowed the Directors by the Act, only about $8,000 had been used, including the Local Board at Toronto.

Mr. John Crawford did not wish to appear as the champion of the Board, but he certainly objected to ask a man to work for nothing, and

contended that some remuneration was an additional incitement on the port of the Directors to do better.

Rev. Mr. GREEN moved that the sum be reduced to $7,000.

Mr. T. WORKMAN thought it should be reduced still further, and named $5 per meeting, and that the meetings be held but twice a week.

Mr. J. H. JOSEPH, in voting for the repeal of this By-law, did not wish it to be understood that the President and Directors should not be paid for their services. He favoured paying them $5 per meeting irrespective of the number of sittings.

The CHAIRMAN had no objection whatever to the reduction. He thought the best proof with regard to the disposition of the Directors was that they did not avail themselves of their full privileges.

Mr. ANDREW ROBERTSON was told that each Director had not taken more than half the sum allowed him.

Mr. T. WORKMAN favoured leaving the question to the discretion of the Board.

The CHAIRMAN said that the Directors had the permission to take $15,000, and they took merely half.

Mr. CRAWFORD thought it might be set down at $7,000 instead of $5,000.

Rev. Mr. Green's motion was then put to the meeting and carried unanimously.

There being no further business before the meeting, the Chairman again moved the adoption of the report, which was carried unanimously.

Mr. A. St. DENIS moved, seconded by Mr. W. DONOHUE, that the ballot box be now opened for the election of Directors, and be kept open until 3 p.m., unless five minutes elapse without a vote being cast, when it shall be closed, and until that time and for that purpose only this meeting be continued—Carried.

The Scrutineers ultimately reported the following gentlemen duly elected Directors:—

Sir FRANCIS HINCKS,
R. J. REEKIE,
JOHN GRANT,
W. W. OGILVIE,
JOHN RANKIN,
ANDREW ROBERTSON,
A. SAUNDERS.

The meeting then terminated.

SPECIAL STATEMENT OF JULY 15th.

At a special meeting of the Directors of the Consolidated Bank held to-day, it was decided to issue the following circular to shareholders:—

SIR—The Board of Directors of The Consolidated Bank feel it to be their duty to respond to numerous appeals which have been made to them on behalf of the shareholders to acquaint them at the earliest possible moment with the actual value of the Assets of the Bank at the present time. Without entering into minute details, which it must be obvious could not be published without detriment to the interests of the shareholders, the result of a careful investigation has been to satisfy the Directors that, after making ample allowance for some heavy anticipated bad debts, the assets of the Bank are good value for an amount ranging from $1,250,000 to $1,500,000, or from 60 to 75 per cent of the present par value of the stock. The valuation has been made with an earnest desire not to place an exaggerated value on the assets, and a sufficient margin has been taken to cover possible unforeseen losses. The present estimate has been concurred in by the Acting General Manager and by all the Directors. The large addition which has been made to the losses has been owing to what the Board are now convinced was a very erroneous estimate, made at the close of last year, of the assets at the Head Office, by the late General Manager. Without entering at present into details the publication of which might be injurious to the interests of the shareholders, the former Board of Directors maintain that they will, at a proper time, be able to exonerate themselves from any charge of mismanagement.

I am your obedient servant,
(Signed), F. HINCKS,
President.

THE SUSPENSION.

On the 31st July the doors of the Bank were closed, and payment suspended.

MEETING OF SHAREHOLDERS.

Early in July, several of the largest shareholders, believing that Sir Francis Hincks and his management had completely lost the confidence of the public, and that, unless some change was made, the bank could not keep its doors open, held a caucus meeting, at which the Rev. Jas. Green, Messrs. J. H. Joseph and E. L. Bond, were appointed a Committee to wait upon Sir Francis and the Directors, with the request that the President should resign, (keeping his seat on the Board if he wished) and a new President from outside be appointed. Such a change, it was thought, would satisfy the public and stop the run. After a long interview, Sir Francis declined to resign, or to make any change, expressing his confidence of being able to carry the Bank through—and his action was supported by the Board. Nevertheless, the public were NOT satisfied, and the drain on deposits continued, till the Bank was forced to suspend payment on the 31st July. A caucus meeting was at once called for the

7th August, at which resolutions were passed, forming the basis of the following correspondence:—

MONTREAL, 8th August, 1879.

To the President and Directors of the Consolidated Bank of Canada.

GENTLEMEN,

I beg leave to inform you that a meeting of a considerable number of the shareholders of the Bank was held yesterday, and that at such meeting a committee, composed of Messrs. G. W. Simpson, T. W. Ritchie, E. L. Bond, and myself, was named as representing the meeting to wait upon you. The object for which the committee was appointed was to ask from you an assurance that at the special meeting, to be held on the 18th September next, the shareholders shall have an opportunity of making such changes in the Directorate as the majority may deem advisable. Should you see your way to give such an assurance, we shall be happy to discuss with you the best means of carrying into effect any changes in the Board which may be recommended by the shareholders.

I am, your obedient servant,

JAS. GREEN,

Chairman of the Committee.

CONSOLIDATED BANK OF CANADA,

MONTREAL, 12th August, 1879.

DEAR SIR,

In reply to your letter of the 8th inst, I beg to convey to you, on behalf of the directors of this bank, an assurance that at the special meeting to be held on 18th September next, the shareholders should have ample opportunity of signifying the changes which they may desire to make in the Directorate of this bank, and that you may rely that such changes will be carried into effect by the directors in good faith.

I am, your obedient servant,

F. HINCKS,

President Consolidated Bank.

REV. JAMES GREEN,

Chairman, etc., etc.

MONTREAL, *8th August*, 1879.

To the President and Directors of the Consolidated Bank of Canada.

GENTLEMEN—I beg leave to inform you that at a meeting of a number of the Shareholders, held yesterday, the following gentlemen—viz., Charles Hagar, G. W. Simpson, G. W. Stephens, T. W. Ritchie and R. Moat were appointed an Advisory Committee, to co-operate with the Directors in adjusting the affairs of the Bank, during the period between now and the Special General Meeting of the Shareholders, called for the 18th Sept., next. I shall feel obliged by you informing me whether the Directors will be prepared to receive and co-operate with this Committee for the objects above specified.

I am, your obedient servant,

E. L. BOND,

Secretary of Meeting

THE CONSOLIDATED BANK OF CANADA,

MONTREAL, *12th August*, 1879.

DEAR SIR,—With reference to your letter of the 8th inst., I have to state that the Directors of this Bank will be prepared to co-operate with the advisory committee consisting of Messrs. Chas. Hagar, G. W. Simpson, G. W. Stephens, T. W. Ritchie and R. Moat, in the adjustment of the affairs of the Bank during the period between this and the Special General Meeting of Shareholders, called for 18th September next.

I am, your most obedient servant,

F. HINCKS,

President Consolidated Bank

E. L. BOND, ESQ.

Had the Directors NOT consented to the arrangement as regards the right of changing the board, the following notice, in accordance with the Banking Act, was drawn up and signed, to be used, if necessary :—

MONTREAL, 17*th August*, 1879.

WE, the undersigned shareholders of the Consolidated Bank of Canada, being in number not less than twenty-five, and representing at least one-tenth of the paid up capital stock of the Bank, hereby call a Special General Meeting of the shareholders of the said Bank, to be held at the banking house of the said Bank, in the City of Montreal, on the day of next, at twelve o'clock, (noon) to consider the position of the said Bank, and to remove the President, Vice-President, and those of the Directors who were re-elected at the last general meeting of the shareholders ; for maladministration and for submitting at such meeting false and deceptive statements relating to the affairs of the Bank.

On the 15th August, the following circular was issued by the Committee of Shareholders :—

MONTREAL, 15th AUGUST, 1879.

To the Shareholders of the Consolidated Bank of Canada :

Deeming it necessary to take some prompt concerted action to conserve their interests in the Consolidated Bank of Canada, some of the leading Montreal Shareholders have, during the past thirty days, been in constant conference and consultation, with the following results :

A Committee of Shareholders has been formed with Rev. James Green as Chairman, and E. L. Bond as Secretary.

An Advisory Committee, consisting of Alderman Chas. Hagar, Messrs. G. W. Simpson, T. W. Ritchie, Q. C., G. W. Stephens and R. Moat, has been nominated to co-operate with the Directors in adjusting the affairs of the Bank, pending the Special General Meeting to be held on 18th September.

This Committee has been accepted by the Directors.

An assurance has been received from the President and Directors, that in all good faith they will carry out the will of the Shareholders in effecting any change in the management of the Bank that may be decided upon at the meeting on 18th September.

Without this arrangement the Shareholders would have no *right* to make any change in the Directorate.

At this meeting the Committee propose, if supported by the majority of the Shareholders then present, to make certain changes in the Board of Direction. All Shareholders willing to co-operate with the Committee are requested to sign and return the accompanying proxy.

All proxies received are to be subject to the control of the Advisory Committee—will not be used if the shareholder be present at the meeting, and may be withdrawn at any time.

Shareholders are requested to return proxies as soon as possible to the Secretary, from whom any further information may be obtained.

E. L. BOND, *Secretary.*

MESSRS. FENWICK & BOND,
Stock Brokers, MONTREAL.

MEETING OF LADY SHAREHOLDERS.

They hold a Meeting on August 27th, 1879, oppose putting the Bank into Insolvency, and Recommend the Criminal Prosecution of the Bank Officials.

This meeting was held in the Lecture Hall of the Natural History Society, to consult, among themselves, what steps, if any, should be taken by them to prevent their being asked for any further calls on the stock, and to discuss generally the situation in their own interests. Some fifty ladies were present, half that number being far advanced in years, and the widows or daughters of those who had largely contributed to build up the trade of Montreal, and had invested much of their means in the Consolidated Bank. One lady was blind, and was led into the room by two friends. Another was reported to be the daughter of an officer who fought at Waterloo. The majority were attired in deep mourning. The meeting was called to order at four p.m., Mrs. C. A. Hollis being appointed to the chair, Miss Isabella McDougall acting as Secretary.

Mrs. Hollis explained that the meeting had been called for the purpose of considering if some means could not be devised to get back some of their property from the Bank. They all were aware of the circumstances under which the Bank had failed, and, with a view to promote their interests and also a discussion at the present meeting, a resolution had been prepared for their approval and signature. This the secretary would read.

Miss McDougall then read the following resolution:—

Whereas.—By loose and scandalous mismanagement, the Consolidated Bank of Canada has been obliged to suspend payment, and we find the means on which we depended for our maintenance almost swept out of existence; and,

Whereas,—We are given to understand efforts are being made to put the bank into insolvency, this meeting *Resolves,*—That, after mature consideration, we are of the opinion that it would be for the interests of all parties concerned, that strenuous efforts should be made by the directors, shareholders, and others concerned, to resuscitate the bank and resume business; and we, the lady shareholders, bind ourselves to assist that object by every means in our power.

We do hereby appoint —— to act for us, and in our names, as our attorney to carry out this resolution.

Mrs. Hollis, having explained the meaning of the resolution, added that all present were aware that, without the shadow of a doubt, the statement of the bank, at the present moment, was a very different one to that shown by the returns furnished by the Bank to the Government. In her opinion the person who had made these returns should be prosecuted for his duplicity. They all knew very well that Mr. Cotte, the

cashier of the Jacques Cartier Bank, was sent to gaol for similar conduct.

A LADY—For my part I would send the whole of them to gaol.

A CHORUS OF VOICES—And so would I.

MISS MCDOUGALL—Well, for my part, I would send the Directors.

A LADY—The Directors are not so much to blame; they were merely careless, and trusted too much to others.

MISS MCDOUGALL—It is for that very reason that I would punish them. They were appointed to direct the affairs of the Bank, and it was their duty to do so.

MRS. HOLLIS explained that, from what could be learned from the principal shareholders, it was not expected that more than one million of dollars would be saved out of the assets, and that it would be impossible to continue the business of the bank without a great deal of economy. It was their desire to continue the bank in operation, for if it were placed in the hands of the assignees, the shareholders would not get anything.

MISS MCDOUGALL fully believed this statement. She did not think that Mr. Campbell was the right man in the right place, and was quite prepared to say so. She had had an interview with him a week or ten days before the crisis, and he completely deceived her, and prevented her from selling her stock.

MRS. HOLLIS explained the position of the Bank, as she heard it. The assets were represented to be one million dollars. Out of this both depositors and bill-holders had to be paid; and what, she asked, could the shareholders expect after that? The stock was to-day down to two per cent., a fair indication of what they might suppose would be the ultimate result. There was no doubt, in her mind, that Mr. Renny never managed the business of the bank himself, and must have had some one else in the bank to manage the business for him. An instance of his ignorance of the affairs of the bank was shewn when he was asked if he knew the amount of Ascher & Co.'s indebtedness to the bank. He replied: "I suppose it is $300,000;" when at the same time his interrogator could tell him it was half a million dollars. After that it could not be questioned that Mr. Renny was not fit to have charge of a bank like the Consolidated.

MISS MCDOUGALL repeated that she thought all the Directors should be prosecuted.

MRS. HOLLIS said, if anything could be done that day in the interests of the stockholders, she would be very glad, both for their sakes and also for her own, for she could ill afford to lose much. She proposed to attend the meeting of the Bank, and to speak at that meeting. If a poor boy stole half a dozen apples, or a poor man purloined a piece of wood on a cold winter's day, to keep his family warm, they were speedily sent to gaol, and there was no help for them. Then, were not the managers of this Bank much greater offenders, for they had deprived many of their only means of existence in their old age?

MISS VASS suggested that all the ladies should attend the general meeting of the Bank.

MRS. HOLLIS considered this a capital idea. She was going out town, but intended to return by the 17th, in time for the meeting.

The first resolution was carried unanimously, and largely sign Mrs. Hollis, on motion, being appointed attorney for the meeting.

MISS VASS moved, seconded by MISS MCDOUGALL, that all the lad here present pledge themselves to attend the general meeting of sha holders on the 18th prox.—Carried unanimously.

MISS MCDOUGALL repeated that, not a week previous to either annual meeting or the Bank's closing, she had held a conversation w the present manager, and informed him that she contemplated sell out. She told him that she had lost $800 on the Merchants Bank, was not prepared to lose on this Bank. Mr. Campbell replied that he co not allow her to do any such thing. Why, she asked, should she save herself as well as others? He replied that he was very m obliged to her for calling upon him. He knew her very well, and co not allow her to make a sacrifice of her stock. He could assure her he large interests at stake in the Bank, and that the cause for the al created was groundless and was merely an effort on the part of brokers to bring down the Bank. She saw him afterwards and told her fears had been realized. If he had only told her he was not in a p tion to give her an opinion, she would have acted on her own judgm but, wilfully misleading her as he had done, there was no excuse him.

MRS. HOLLIS proposed, that some one should try the sense of meeting by a resolution.

MISS MCDOUGALL.—"Well, I propose that the President, Sir F c's Hincks, be put under arrest."

SEVERAL SHAREHOLDERS—And so do I!

MRS. CAMPBELL—And I propose that Mr. Renny should go th too.

MISS MCDOUGALL (warmly)—I propose that the whole of the prosecuted, and that all the directors give up everything they hav the Bank.

A SHAREHOLDER—Most decidedly. Why should they live in lu and we suffer the consequences?

MRS. CAMPBELL referred to a letter of a gentleman shareh published in the *Witness* of the night previous, expressive of his wi ness for one, to prosecute the guilty parties. She proposed that the sent meeting co-operate with that gentleman. From his letter, it w appear that he was a large shareholder.

MISS MCDOUGALL said she had mentioned Mr. Campbell's condu a prominent bank manager, and he said that such conduct was crim

A VOICE—I should think it was, for the directors to loan a dou firm half a million dollars.

ANOTHER VOICE—They would ride over you in the street, an give you a loaf of bread if you were starving.

MISS MCDOUGALL asked, Why should the Bank give Messrs. A half a million of dollars? They had nothing to show for it but German toys. What had they done with all that money? She ha a conversation with Mr. Gault as to the condition of the Bank, a

pooh-poohed the idea of there being anything wrong, saying that it only existed in her imagination.

MRS. CAMPBELL remarked that she had had an interview with a leading lawyer on the subject, who said it was rather a curious affair and that it would be very hard to bring a criminal action against the President and Directors, as the only offence which could, perhaps, be imputed against them would be an error of judgment.

A SHAREHOLDER—It was no error of judgment that caused them to make false statements and likewise keep the doors open to receive deposits until the last moment It seemed to her the same as putting one's hand into another person's pocket and stealing from them.

MRS. HOLLIS—It is nothing more nor less than swindling.

MRS CAMPBELL—Making false returns to the Government is punishable by law, and that is what they did. If they had dealt honestly, they would have had no reason to be afraid of the public. If the Bank was in a bad state why not let the public know? In face of the large salaries the Directors had been drawing, why should they not be called upon?

A FEEBLE OLD LADY—Yes; and they must get three months' salary, while we lose every cent we had by their mismanagement. It is a shameful thing. They ought to get sent to some place to suffer.

ANOTHER LADY said the Manager had assured her that the business of the bank was both sound and profitable, and yet, a few days after, the bank had closed.

MRS. HOLLIS would direct the attention of the meeting to the fact that, if the bank went into liquidation, all the depositors and bill-holders must be paid. If the shareholders sold out to-day, and there was afterwards a call made on them, they would still be liable, so that they had no security against further loss, unless they combined and took action.

A SHAREHOLDER said, at the closing of the books of the bank, Sir Francis Hincks had not the legal number of shares necessary to qualify him for re-election.

MISS MCDOUGALL—Well, all that ought to come out.

A SHAREHOLDER—So it will, at the general meeting.

MISS MCDOUGALL thought that no further call should be made upon the lady shareholders, and proposed that the gentlemen shareholders, and particularly the wealthy ones, be recommended to take action against the officers of the bank.

A SHAREHOLDER—A great many of the so called wealthy shareholders have no more money to lose, I am afraid.

ANOTHER SHAREHOLDER said the manager represented to her a short time before the bank suspended that business was flourishing, particularly in the West, whereas it was in the West that heavy failures took place, besides a heavy defalcation through a dishonest cashier.

MRS. HOLLIS said one heavy shareholder, a gentleman whose name she was not permitted to mention, was determined to prosecute, and said many others were of the same mind. There were 132 lady shareholders in the bank, who, she presumed, were of a like opinion with themselves.

A LADY had heard that Mr. Renny was going out of his mind at Hambly, and was not allowed even to see a newspaper.

Mrs. HOLLIS said that she would only like to read a certain paper to him.

Some little further discussion resulted in the adoption of the following resolution:—

Moved by Miss McDOUGALL, "That a deputation from this meeting be appointed to wait upon prominent shareholders, and urge upon them the duty of criminally prosecuting the officers of the Bank; but this meeting, in view of the loss already sustained, is not willing to incur any further expense."

On motion of Mrs. MACFARLANE, seconded by Mrs. GRACE, the following ladies were appointed a deputation to carry out the foregoing resolutions:—Miss McDougall, Mrs. Hollis and Mrs. Grace.

Mr. D. DAVIDSON, being introduced, informed the meeting that a preliminary meeting of shareholders would be held a few days before the general meeting of the 18th prox. in Mr. Bond's office, and suggested that the ladies should ask Mr. Bond to allow their deputation to attend the meeting.

Miss McDOUGALL said such solicitation by the ladies would place them in a position to be refused.

The ladies, after consultation, informed Mr. Davidson, through their President, that they did not see it was necessary for them to attend Mr. Bond's meeting.

Commenting upon the proceedings at the above-mentioned ladies' meeting, the *Montreal Herald* said:—"The meeting was a very painful one indeed; and the report of the proceedings shows the misery which must be endured by so many dependent upon the revenue derived by their investments in the shares of this Bank."

LETTERS.

From MR. R. J. REEKIE, *Vice-President of the Consolidated Bank, to* MR. A. GILMOUR, *and one from* MR. A. GILMOUR *in reply; of the others no copy was kept.*

CONSOLIDATED BANK CHAMBERS,
101 St. James Street,
MONTREAL, *May 10th* 1877.

ALLAN GILMOUR, ESQ., Ottawa.

DEAR SIR,—I am in receipt of your letter of yesterday, with your proxy and also Mr. John Manuel's proxy, to act for you both at the Annual Meeting of the Consolidated Bank, Montreal, to be held on the first of next month, for which I have to thank you for the confidence you put in me, and I will look after your interests, also your friends's, and if anything takes place before the Annual Meeting I will let you know, that you may know fully if anything in particular is to come up at the said meeting, and that I may have your views and act accordingly. I am glad to say matters connected with the Bank, at present are going on satisfactorily.

I am, dear Sir, yours faithfully.

R. J. REEKIE.

P.S.—If you wish me to attend to anything particular at the Annual Meeting, or before it, I will be happy to attend to it.—R. J. R.

[*Private.*]

CONSOLIDATED BANK CHAMBERS,
101 St. James Street,
MONTREAL, *March 6th*, 1878.

ALLAN GILMOUR, ESQ., Ottawa.

DEAR SIR,—I regret much that it was not in my power to write you before now about Bank matters, as I promised you when in Ottawa, last week. The reason is that I was called to Quebec, on urgent business, the day I arrived here from Ottawa, and I only got back yesterday, when I went into Bank matters, and I have to thank you for your "Proxy," in my favour, to be elected a Director in said Bank for the last three years; and the following I can give you about the Consolidated Bank, in Montreal, of which you are a large Shareholder: and the following is the information I can give you as Director and V. P. of the Consolidated Bank of Montreal, viz.: the Capital is $4,000,000 subscribed, and $3,465,910 paid up, and at present there is a "Rest" of $252,000 equal to fully 9½ per cent on the paid-up capital for any contingencies that may turn up, and I hope it will be satisfactory to you, to guide you as to selling your stock; as you informed me. As I have stated to you before, I would not advise you to sell at the present price, as the general opinion here is that the present price will get better as business will improve. I may here state that the reports about the losses of the Consolidated Bank for the last year are not correct, and should not be taken notice of by any interested party, as such reports may lead them wrong. If you want any more information from me, please let me know, and if it is in my power to give it, I will do so with pleasure.

I am, my dear Sir, yours very truly,

(In haste.) R. J. REEKIE.

[*Private.*]

CONSOLIDATED BANK CHAMBERS,
101 St. James Street,
MONTREAL, *March*, 11*th* 1878.

ALLAN GILMOUR, ESQ., Ottawa.

DEAR SIR,—Your favour of the 7th instant is now to hand, with my letter to you of the 6th instant, which I asked you to return to me, as there was an error in it that I did not notice in the copy until after the letter was posted to you. The error was made by my clerk in a hurry looking over the Bank statements in general, and I was engaged at the time, having just arrived from Quebec, and wished to catch the mail, as I was behind time, and I had to write you on Bank matters. However, I am glad that it has not gone further than you and I, and I have to thank you for the trouble you have taken in the matter.

I note what you say about your stock in the Consolidated Bank, and all I can say to you in the matter is, I would not advise to sell at 80 per cent. at present; I would not do it myself, as the Stock will get better when business gets better than it is at present. There is nothing wrong with the said Bank that I know of, and as I am Vice-President of the Bank and enquire into every matter at our meetings, twice a week, Monday and Thursday, I have seen a statement to-day which was produced by the Manager to the meeting of the Board to-day, which shows increase of deposits over last year of $766,521, and a decrease of expenses in the general management of about $5,000, and we are reducing our Agencies in the country in every place they do not pay, and that there is any risk in keeping them on. The net Profits, 1877 and 1878, on the 28th Feby., were as follows:—On Feb. 28th, 1877, there were $84,770.39 and on Feb. 28th, 1878, there were $103,211,33, making an increase of $18,440.94 net Profit on Feb. 28th, 1878. A detailed statement I will send you for your satisfaction, if required. There have been certain losses made by "Failures" in Montreal, but nothing like the sum that is reported. I may here state it is not one quarter the amount reported, and I would advise you as a friend not to pay any attention to any report that is not official, and if I can give you any information that you may require about the Consolidated Bank, I will be glad to do so any time you may ask me and what I give you will be facts.

Yours very truly,

R. J. REEKIE.

CONSOLIDATED BANK CHAMBERS,
101 St. James Street,
MONTREAL, *April 25th*, 1878.

ALLAN GILMOUR, ESQ., Ottawa:

DEAR SIR,—In reply to your letter of yesterday in reference to the Dividend to be paid by the Consolidated Bank for the half-year ending 31st May next.

I beg to inform you that the Directors of the said Bank thought, on due consideration, that they could not give more than 3 per cent, as that was the amount that the business could afford in these hard times, and they thought it was better to do this than encroach or reduce the amount of the "Rest," now standing at $232,000 —just as it stood when I advised you not to sell; and with regard to the Bank losses we have got off at a considerable amount less than we thought at the time I spoke to you about the sale of your Stock. I notice by the Market Stock List that when I spoke to you about your Stock the Shares were selling at 76 to 77 per cent., they are now selling at 78 to 79 per cent., making each share 2 per cent. better and of more value than they were when I advised you not to sell.

I would be very sorry that I would mislead you in this matter in my present position in the Bank, and I would not on any consideration. I consider the Consolidated Bank at present as good in all respects as it was when I advised you not to sell, and if you want any detailed information that I can give you concerning the Bank I will be very glad to furnish you all the information I can. I may here state that we will not pay Dividends out of the "Rest," as some Banks do, which I am aware of merely to keep their Dividends up. This I decidedly object to and would never agree to on any account. Hoping you will excuse this long letter, and that it will be satisfactory that I did not wish to mislead you,

I am, dear Sir, yours very truly,
(in haste)

R. J. REEKIE

CONSOLIDATED BANK CHAMBERS,
101 St. James Street,
MONTREAL, *Friday, January 31st*, 187

ALLAN GILMOUR, ESQ., Ottawa:

Mr. Renny, Manager of the Consolidated Bank here, handed me your letter of notice, dated 24th inst., that you wish to withdraw your "deposit" in the Bank in ten days; which notice expires on the 5th or 6th February; and I take the liberty, as the Vice-President of the Bank, at the request of the President and Manager, to inform you there is nothing wrong with the Bank, but the stock run down by some Brokers through false statements of their own, for speculation. The Bank has a large Reserve Fund, at present, to meet any contingencies that may turn up; that I know to be a fact. I am a large stockholder myself in the Bank, and have not sold a share, but purchased a large number of shares since this panic, entirely got up by some Stock Brokers, for speculation. I know nothing wrong with the Bank or its management, for I examine with the other Directors, matters every week on Mondays and Thursdays, and if there were anything wrong, I would know of it; and I would consider it my duty to inform you if there were anything wrong; as you have supported me at the Annual Meeting by your votes as a Shareholder, and I sincerely hope you will not withdraw your deposit at present, for if it becomes known the Brokers will take advantage of the circumstance, and it will hurt the credit of the Bank. If you wish me to give you any statement or information of the present state of the Bank affairs I will be glad to do so with pleasure, that it may give you confidence, and not to withdraw your deposit at present, for it will injure the Bank.

Yours faithfully,
R. J. REEKIE, Vd

Private.] OTTAWA, *3rd February*, 1879.

MY DEAR SIR,—I am this morning in receipt of yours of the 31st ult., and note what is therein said as to the Consolidated Bank's affairs, which I trust are all in the good shape that you assure me they are. However this may be, has nothing to do with my notice of withdrawal of my deposit with the Bank, which was left there waiting the chance to invest the amount to my satisfaction and which opportunity has now presented itself As to the Brokers making use for their own purposes of this withdrawal (of my deposit), I don't see how they should know anything about it, unless the Bank officials give to outsiders information which they should not; and again, if the Bank is in anything like a good strong position, what should this withdrawal matter? You say "that the Bank has a large Reserve Fund to meet any contingencies that may turn up,—that I know to be a fact, &c." I hope it really is so, while my impression—indeed conviction is, that it will all be wanted, and as much more, to make good the large amount of indebtedness to the Bank, as shown in the General Statement of 10th May last to be $8,608,987.32, while the Deposits then held Payable on demand, $2,939,784.86, Payable after Notice, $1,744,900.78, was (and I presume still remains), unreasonably and unsafely large; as what could the Bank do in paying such deposits, if called upon to do so suddenly, or even for half the amount, with Notes in circulation amounting to $,232,078.

And now I may, in closing, just as well tell you what I think about the Bank, and that is—that the Stock will, in all probability have to be reduced one half—about its present value now in the market—and it would only take a loss of a little over 20 per cent. in realizing the debts due to the Bank to wipe out its "Rest" of $232,000, and half its Capital Stock, and to that extent of loss my mind is already, as a Shareholder, pretty well made up, if not quite reconciled, and while hoping for the best,

I remain, yours very truly,

ALLAN GILMOUR.

R. J. REEKIE, ESQ., Montreal.

R. J. REEKIE

Private.]

CONSOLIDATED BANK CHAMBERS,

MONTREAL, 10*th February*, 1879.

MY DEAR SIR,—I have been unable, owing to absence in the West, to answer sooner your letter of the 3rd and 4th instant.

I need not urge you further to refrain from withdrawing your deposit, as you state that your withdrawal is caused by your desiring to invest the money. I had feared that it was from want of confidence in the Bank, and indeed your letters would imply such to be the case.

Of course if all depositors were simultaneously to withdraw, then the inevitable consequence would be suspension, as would be the case with any bank in the Dominion, or elsewhere.

We have had to meet a considerable demand at various points, and it is unfortunately the case that people connected with rival institutions have done all in their power injure us. I should be sorry to think that you have formed a just estimate of the value of our customers' paper. Judging from the failures that have taken place, we have certainly not suffered as much as our neighbours It is of course impossible to tell what the consequence might be to any bank, if it and its customers were forced to liquidation, but I have myself to doubt that our customers are on the whole just as good as the customers of other banks.

Yours very truly,

R. JAS. REEKIE,

ALLAN GILMOUR, ESQ., Ottawa.

As an example of how a Bank Director and Vice-President could mislead a *friend* and show his utter ignorance of the affairs of the Bank with which he claimed to be intimately acquainted, I have thought it well to have printed

above the letters written to me by the gentleman occupying that position in the solidated Bank of Canada.

I am quite sensible that it can now do *me* no good to make these public, will be some satisfaction to let my friends know how I became the victim of placed confidence in the matter, and afford them a useful lesson, should such be ed to show what dependence can be placed upon un-asked-for advice so tendered

ALLAN GILM

SPECIAL GENERAL MEETING.

A special general meeting of the shareholders of this bank was menced on Thursday, Sept. 18th, at noon, in the banking house, d'Armes, to receive statements of the bank's affairs, to consider its tion, and to determine what course should be followed in the pre crisis, to protect, most effectually, the interests as well of its holders as of its creditors. The board room was crowded with holders, among them many ladies attired in mourning. The follo are copies of the documents, which were distributed prior to ent upon the business for which the meeting had been convened:—

TO THE SHAREHOLDERS OF THE CONSOLIDATED BANK OF CANADA:—

The directors of the Consolidated Bank submit to the shareholders a ment of the affairs of the bank, made up to 31st ulto., and they deeply regre it should exhibit losses of so serious a character. With reference to the loss curred at the head office, the directors submit to the shareholders a letter fro late general manager, dated 3rd July, tendering his resignation and an extrac the minutes of the board of directors, at a meeting held on the 7th July, wh Renny's resignation was accepted. The directors have only further to impres the shareholders the desirability, in the common interest of all, of acting in with a view to the liquidation of the liabilities of the bank in the speediest possible, and also to a realization of the surplus assets for the benefit of the holders.

F. HINCKS, *Pr*

(Copy.)

CHAMBLY CANTON, July 3rd, 1879.

THE HON. SIR F. HINCKS, K.C.M.G.,
President of the Consolidated Bank of Canada:

DEAR SIR FRANCIS,—I beg to tender my resignation as General Manage to request the favor of its acceptance at the earliest date consistent with the ests of the bank. So long as I am in the service I shall give my best effo assist the board generally in placing the affairs of the bank in a better positio I shall cordially work with any members who may be appointed a Committee port on securities. With reference to the losses which appear now to be in on some of the Montreal accounts, while I admit that my first estimate might require to be provided for out of the "surplus" (as mentioned to Mr. P has, in consequence of recent unexpected developments, been found quite inad I must respectfully protest against the estimates which, I hear, have been by the board. In these the losses are, in my opinion, greatly exaggerated, and confident that an examination of the securities by a committee will bear opinion. While during the last fortnight it has been very clear to me that nection with the bank could not long continue with any satisfaction to mys

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ALLAN GILM

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F. HINCKS, *Pr*

on, July 3rd, 1879

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ecent action of the board in some matters, in which, as General Manager, I should have been consulted, has shown me that I am practically superseded, and has obliged me to ask to be relieved from a responsibility which is no longer accompanied with any power.

I am, yours faithfully,

Signed, J. B. RENNY.

Extract from the Minutes of a Meeting of the Board of Directors, held on the Seventh day of July, 1879.

With reference to the letter of Mr. Renny, late General Manager, dated 3rd July, 1879, tendering his resignation, I desire in Justice to myself and my co-directors who were in office prior to the last Annual Meeting, to place on record my opinion on that portion of his letter which relates to the losses which appear to be inevitable. Before doing so I may observe that up to a very recent period I had the most implicit confidence, as well in the integrity as in the good judgment of Mr. Renny. My confidence was first seriously shaken during the intervals between the preparation of the statement of the affairs of the Bank and the Annual Meeting. On getting that statement required from Mr. Pridham, the Acting Inspector and late chief accountant, a detailed statement of the $6,820,317,01 in the assets, I found to my amazement that the overdrawn accounts in Montreal amounted to no less than $615,402 44, and I required a statement of these accounts, which when obtained made it clear to my mind that there had been systematic concealment of most important transactions from the Board of Directors. The Board had required that at every meeting a statement should be laid before the directors exhibiting the liabilities of those customers of the Bank which amounted to $100,000 and upwards, together with their overdrafts. Such statements were laid before the Board, but I found that some were omitted and others incorrectly stated, and in short, that the General Manager had systematically concealed from the Board the state of several large accounts. The liability ledger which was from time to time examined by the Board, and from which the statements of liabilities were made, was so kept, as to render it impossible for the Board to form any idea as to the aggregate liabilities of the customers. But without going into details, I simply wish to place on record that to Mr. Renny's systematic concealment from the President and directors of his operations is to be attributed those losses which he admits in his letter to be inevitable. The heaviest of those losses will be incurred from an account of liabilities on which Mr. Renny himself has acknowledged are very much greater than he himself had any idea of. There is a very simple answer to Mr. Renny's proposals against the estimates of losses which he states have been accepted by the Board. No such estimates have been laid before the Board, and without much more information than Mr. Renny has yet communicated, it is not possible to arrive at any satisfactory estimates. It seems to me that if Mr. Renny's letter were to be received without remark the late Board of Directors might be held responsible to a far greater extent than they ought to be in strict fairness. They cannot escape the responsibility of having placed a much greater degree of confidence in Mr. Renny's judgment and in his candour than they ought to have done, judging from recent disclosures, but beyond this they must in justice to themselves object to any responsibility. I am unaware of the meaning of the expression of Mr. Renny's letter "recent unexpected developments." Save now of no recent developments except the enlightenment of the Directors and myself as to the transactions which Mr. Renny has kept exclusive to himself, and to a few in confidence, during a considerable period of time."

(Signed), F. HINCKS, *President.*

Having submitted the foregoing memorandum to the Directors who were in office last year they unanimously concurred in it.

(Signed), F. HINCKS, *President.*

PROFIT AND LOSS STATEMENT—31ST AUGUST, 1879.

Balance at debit Profit and Loss Account, 10th May, 1879		$ 450,892
Interest paid		49,582
Interest reserved		20,876
Reduction in Bank Premises		25,000
Appropriation for Losses ascertained and for further depreciation in Securities		1,943,625
		$2,489,977
Deduct:		
Forty per cent. transferred 1st July, 1879, from Capital Stock subscribed	$1,394,600	
Profits for term ending 31st August, 1879, after deducting expenses for management	27,050	
	$1,421,650	
Deficiency	$1,068,326	
	$2,489,977	
Capital paid up	$2,080,920	
Deduct:		
Deficiency as above	1,068,326	
	$1,012,593	

GENERAL STATEMENT, 31ST AUGUST, 1879.

Liabilities.

Capital Stock paid up			$2,080,920
Interest reserved	$	20,876 43	
Unclaimed Dividends		6,614 51	
			27,490
Notes in circulation			537,039
Public Deposits, on demand		585,565 02	
Public Deposits, after notice		153,100 73	
			738,665
Provincial Government Deposits, on demand		53,294 46	
Provincial Government Deposits, after notice		50,000 00	
			103,294
Dominion Government Deposits, on demand			171,950
Foreign Agents, United Kingdom			243,299
Contingent Fund to provide for possible losses			182,869
			$4,085,529

Assets.

Gold and Silver Coin	$	16,765 32	
Dominion Notes		13,159 00	
Notes and Cheques of other Banks		17,374 61	
			$ 47,298
Balances due from other Banks in Canada		112,673 08	
Balances due from Foreign Agents, United States		10,643 93	
			123,317

Government Debentures		70,563 66
Notes discounted, current	1,818 763 19	
Loans to Corporations	329,732 99	
Loans on Capital Stock of other Banks	692 64	
Notes overdue, not specially secured	272,253 53	
Notes overdue, secured by Mortgages or other securities	84,102 27	
Real Estate the property of the Bank (other than Bank Premises) and Mortgages on Real Estate sold by the Bank	150,433 67	
		2,655,978 29
Bank premises		120,041 88
		3,017,202 77
At debit of Profit and Loss Account		1,068,326 93
		$4,085,529 70

Sir Francis Hincks took the chair, called the meeting to order and moved that Mr. C. H. Wethay act as secretary.

Mr. J. H. Joseph.—There is no chairman, Mr. President.

Sir Francis Hincks believed it to be the custom to consider the president, chairman. (Cries of "dissent and assent.")

Miss Isabella Macdougall objected to Mr. Wethay acting as Secretary, on the ground that he was acting-manager to the bank.

Dr. Hingston moved that the President take the chair.

Sir Francis Hincks remarked that the mere fact of Mr. Wethay's being an officer of the bank did not prejudice him in his duties as secretary of the meeting.

(Cries of "Certainly," and approbation, which over-ruled counter cries of dissent, in which the ladies were energetic.)

Mr. J. H. Joseph moved to complete the organization of the meeting, that Messrs. G. W. Simpson and E. L. Bond act as scrutineers in taking the votes. (Loud applause and uproar.)

Sir Francis Hincks understood that the common object should be the interest of the shareholders.

A Lady—Has it been?

Sir Francis was aware that the present meeting was composed of persons of very widely different views, and would accept the name of Mr. G. W. Simpson as one of the scrutineers, and would propose that of Mr. Andrew Robertson as the other. (Loud cries of "No, no.")

Sir Francis said he made the suggestion to avoid the delay which must ensue if a ballot was taken.

Mr. Turnbull to meet all parties, proposed that the three names mentioned be accepted—Carried.

Mr. White, Montreal, proposed an adjournment be made to the Mechanics' Hall, in order that every shareholder might hear, and that those who desired to take part in the discussion, might be heard.

On motion of Colonel Turnbull, the meeting adjourned to the Mechanics' Hall, the shareholders forming almost a procession which was generally looked upon with surprise. "Is this a funeral?" "What is the matter?" "It is the funeral of the Consolidated Bank," were among the remarks heard. At the Herald Office door a prominent

politician remarked: "The procession of the Innocents," "Ye
answered his friend, "Innocent dupes of bad bankers."

Sir Francis took the chair at 12.30, and having obtained or
addressed the shareholders. He said that when the present meeting
called, it had been necessary to give a very long notice, but that it
been convened at the earliest possible moment. Some time ago, a m
of shareholders was called, and he might observe that up to this day
directors did not know whether or not the meeting represented a majo
of the shareholders, as it was informal; yet, notwithstanding that,
could say without fear of contradiction, that the board of directors a
towards the gentlemen who came forward as representing the shareho
at the meeting in the frankest and fairest spirit. An advisory commi
was appointed who had free access to the books of the bank, and no e
was made to conceal anything. Moreover, they, by appointment, me
board of directors who attached due weight to their statements. Besi
he might say the directors, whose conduct had been very severely
sured (applause), were agreed to abide by the decision of this meetin
to their retirement. For his own part he could say most sincerely
if a majority of the shareholders desired him to retire, he would d
within five minutes after he had been informed of the fact. (Appl
and hisses.) But he had his responsibilities, and while a good num
of the shareholders did not wish him to retire, what could he do
await their decision? Be their decision what it might, he was quite
pared to abide by it. Some of the shareholders, he had heard, tho
the directors ought to be in the penitentiary. (Loud applause.)
doubt a great many thought so. But he would ask them would it n
wise that they should allow such a course to be taken in the crim
Courts and not disturb the harmony that should prevail at the pr
meeting? (Ironical cheers.) They had one common interest in e
vouring to put this Bank in the best possible position.

A Voice—We ought to have.

Sir Francis continued—With regard to any apology or explana
from the Directors before the meeting in the printed report, a far
interesting question was "What is our best course to pursue at the
sent juncture in the interests of the Bank?"

A French-speaking Shareholder—Give us some explana
about Ascher & Co? (Applause and cries of "No, no.")

Sir Francis Hincks said—If he was the gentleman who had sp
he would wait until the speaker had concluded before he asked quest

A Shareholder—Repeat the question? (Cries of "No, no.")

A Shareholder—The gentleman has a right to ask quest
(Cries of "Order, order.")

The Chairman continued that his own opinion was that it wa
solutely necessary for the Bank to go into liquidation. (Applause.)
best step that could be taken would be to get some other bank to pur
the building and assume the assets—(Applause.)—and close the m
up as soon as possible. But, supposing this to be impossible, the
step possible would be to resume specie payment at the end of 90
Those with whom he had consulted were by no means sanguine that
could be accomplished, and this failing, there was only one course

nd that was insolvency, the worst and most undesirable that could be
ursued. Far better would it be to trust their interests to some body of
ersons—to some of the directors who would place themselves at the
hareholders' disposal. The directors had said that whatever might be
ked of them, they would do. He asked them to vote that day for a
ket of seven Directors, just as they would at an annual meeting. The
rectors undertook to carry out the shareholders' wishes. One of the
eat reasons for censuring the directors was the lack of inspection at the
ad office of the Bank. With regard to that, he would say that it was
ost unfortunate that an inspection was not made. The Directors had, in
e paper before the shareholders, acknowledged that they had erred
placing too much confidence in the late General Manager. First
hen he joined the City Bank he knew of no inspectorship, the directors
d never proposed an inspection, and no inspection had ever taken
ace. It was very unfortunate that the thought of such inspection had
ver come before the directors of the bank, and the reason was that
ey knew everything about the bank, and nothing was concealed from
om. With reference to a rather sensational correspondence published
the morning papers, he felt bound to make an explanation. All that
had to say was, that if Mr. Reekie had written those letters and had
n selling out his stock after writing them, no man would censure him
re than the speaker. But Mr. Reekie acted in direct accordance with
letter. He was a large stockholder, and bought stock after writing
se letters, and he, (the speaker), therefore, did not think it fair to
that Mr. Reekie had written those letters with the intention of
leading Mr. Gilmour; he, therefore, had felt bound, in justice towards
lleague, to make this explanation. Not one word of complaint would
e from him as to the result of the meeting.

Colonel Turnbull, having introduced himself, read the following
olutions passed unanimously by Quebec shareholders, on the 15th
tember, at the office of Mr. W. D. Campbell, N.P.:—

1st.—That this meeting feels called upon to concur in the expression of indigna-
excited by the culpable negligence of the president, directors and manager of the
olidated Bank, in the discharge of the trust committed to them, which has
lted in the suspension of a bank that, from its capital, should have been one of
nost powerful monetary institutions in the Dominion.

2nd.—That in their circular, issued 15th July, 1879, a statement was made that,
deducting for anticipated losses, the assets of the bank would be equal to from
75 per cent. on its then present par value, a statement which, if founded,
nts, in the opinion of this meeting, criminal proceedings against its issuers.

3rd.—That this meeting, having confidence in the integrity and ability of Lieut.-
el Turnbull and the Rev. George Weir, two of the shareholders resident in
ec, do authorize and empower them to represent their opinions and wishes at any
ng of shareholders, and request them to co-operate with any other Committee
nted by shareholders elsewhere to secure justice to all concerned, and to promote,
med necessary and advisable, legal proceedings against the president, directors
anager, and engages to contribute towards any expenses which may be found
sary.

(Signed), GEORGE WEIR,
Chairman.
ROBERT BRODIE,
Secretary.

He moved that Sir Francis Hincks, Messrs. John Grant and W. W. Ogilvie, be asked to resign, and be replaced by Messrs. Robert Moat, T. W. Ritchie, Q.C., Henry Lyman and Charles Hagar. He said that on his arrival in this city he must confess he was very much surprised to find that the directors were prepared to attend the meeting with an overwhelming vote of shares bought from unfortunate people at a great reduction, and that it was their intention that day to vote down anything the unfortunate shareholders might propose or bring forward. He would ask Sir Francis Hincks, this ex-Governor of the Windward Isles, this ex-Finance Minister who had received a most distinguished honor from Her Majesty, if he had any decency left, to show it by resigning his position—(loud applause)—as president of the bank. Two years ago when the bank was in a flourishing condition, the stockholders paid him an immense salary to look after their interests, and he now told the shareholders that Mr. Renny was the culprit, and had, in fact, asked the shareholders to believe that he was the only culprit. He thought the directors were just as bad, and yet the President had come there that day and intended to hang on as long as there was a single dollar in the coffers of the institution. (Hisses and applause). Yet he said he was prepared to step down if the shareholders were so agreed. The shareholders could not legally prevent the directors from voting for him and yet if they gained their point they would go before the world as having condoned for anything done in the past. He did not know if there was any sense of decency left in those men. (Hisses applause and cries of "Quite right" from several ladies.) If there was he would ask the President to retire. It would be far better for him on the morrow to break stones on the street than to come there and live on the balance of the money still left in the vaults of the bank. (Applause and hisses). This was what would be done, so sure as the shareholders were present, unless they prevented it. He (the speaker) had had a great deal to do with banks, more than Sir Francis Hincks was aware of and would tell them what would happen if the same Board was returned with the exception of the man who got on the Board three months ago and but for whom they would never have known the position of the bank to-day. He (the speaker) did not care what they said against that man, it would be a very bad thing to have him out of it. No doubt some would say it was better to keep Sir Francis and the old Board. But if they did, and he (the speaker) had the pleasure of meeting the shareholders a year hence, he would be able to tell them, most likely, that this Board would continue to do as they had been doing the last thirty days. Poor widows with hardly anything left from the wreck of their fortunes had been induced to sell their Stock at one and two dollars a share. (Applause.) And who purchased their Stock? Why, the Directors. What next. They would make a call and the liability people would sell out right and left, and who would own the Bank? Why Sir Francis Hincks and a few of the Directors. Then within a short time these men would have a still larger fortune than they have now, and those who had none would have one. If these men had any sense of decency left they would say to the stockholders:—You manage the Bank in the future, we abstain to-day from any further manageme

of its affairs. He hoped for the credit of this magnificent city of Montreal, that the meeting would not return Sir Francis Hincks for President. (Hisses, cheers, and applause.)

Mr. J. H. Joseph seconded the motion of Col. Turnbull, and directed attention to the fact that the list of shareholders eligible for election as directors was antedated, whereas all who were qualified up to noon that day were eligible.

The Chairman explained that the list was prepared according to the usual mode at annual meetings, and that the word nominated had been substituted for the word eligible. He fully concurred with Mr. Joseph.

Mrs. Hollis as representing a meeting of lady shareholders, held on 27th August, read the resolutions passed at that meeting in compliance with which she had attended.

Sir Francis Hincks could only say that, notwithstanding that some of them, judging from the reports, were very anxious to put him in the penitentiary, to which he would have no objection if they could put him there—(laughter)—in the conclusion that they had arrived at he heartily concurred. Nothing would be more fatal than to put the Bank into insolvency. The conclusion they had come to showed very great sagacity, indeed. (Laughter and applause.)

The Chairman stated that Col. Turnbull's motion was not in accordance with the understanding arrived at, and he would only act upon a resolution that would place the whole of the Directors before the meeting.

Mr. E. L. Bond differed with the Chairman, and proceeded to read the correspondence between the Committee of Shareholders and the President, taking the ground that the understanding was arrived at that the shareholders were prepared to discuss any change in the directorate at the meeting of shareholders.

Mr. J. H. Joseph rose to reply to a charge of unfairness made by the President. No unfairness had been practised against President or Directors. The advertisement calling the meeting had been well worded, few people could understand it; nevertheless, after consulting with a lawyer, he learned that it made no provision for the election of Directors. He referred to the action of the stockholders in regard to this question and the manner in which they had been outwitted, and asked if they were prepared to abide by the decision of the Board or the vote of the stockholders. He was astonished that an attempt should be made to evade the question, and would not stand there and be accused by a man at the brink of the Penitentiary.

Sir Francis Hincks said he came to this meeting determined to keep his temper, and, therefore, the accusation of the gentleman who had last spoken he would pass by without further comment. The Directors were prepared to stand by a vote for seven Directors.

Much uproar ensued.

The Chairman asked why Mr. Saunders was not subjected to the same ordeal as himself.

A Voice—Because he's just elected.

The Chairman begged pardon. All were elected at the same time, and no gentleman would say that it was not a compromise.

Mr. J. H. Joseph—I deny that.

The CHAIRMAN—The whole thing was a compromise.

Mr. J. H. JOSEPH—It was not, Sir. I never voted.

The CHAIRMAN—I never imagined that he did, and never said he did, but when he and all his friends asked them to elect Mr. Gr the Direc ors all voted for him.

Mr. GRANT said he did not vote at the last meeting, nor did he any one to vote.

The CHAIRMAN wanted to say but one word—that he was prepa to accept the whole of the seven names.

Rev. PROFESSOR WEIR, Quebec, said if any of the old Board w elected, the shareholders would, by such action, be condoning offences, and place the Directors beyond the reach of any proceedi being taken against them.

Mr. R. CASSILS asked if an election were held now, would it legal?

SIR FRANCIS—Not strictly legal, but when the nomination was c pleted each and every director who was not nominated would res Mr. Cassils then moved that the meeting do now proceed to elect se directors.

Mr. J. GRANT said as a director he had objected to the arrangem with the committee and he would not now consent to any other arra ment than the nomination of the whole seven.

REV. DR. JENKINS rose to a point of order. It would not be l for this meeting to elect, but merely to nominate and then it would for the present directors to retire, and then the election could be proce with.

Mr. CASSILS accepted the point of order and moved:

That a ballot be now taken for the nomination of seven director manage the affairs of the Bank.

Mr. ALLAN GILMOUR said he did not intend to be present, but as he passing he came in. During the past two years he had received a numb letters from the Vice-President, who, after he had approached the spea advised him not to sell when the stock was at 70 and 75. He approac him in writing, and he had published the letters in the morn papers. He considered it to be his duty to have them made public that the public should see the management or mismanagement of directors. In these letters the Vice-President advised him not to and assured him everything was all right. He was either a deceive was utterly ignorant of the affairs of the Bank. He did not want more such friends. He moved that considering the past mismanagem of the affairs of the Bank this meeting is of opinion that the Presid Sir F. Hincks, ought to retire from the Board.

Rev. Mr. WEIR, in seconding the motion, paid a high compliment to genius and past ability of the Chairman, and he held the greater his sonal ability the greater his culpability as President of this Bank. fact that he was deceived by Mr. Renny and his clerks was no ex He was entrusted to look after the management of the Bank, and shareholders could not consistently support him in a position in w he had admitted—which all present would understand—he had erred. (the speaker) would not have spoken as he had done had he not

charged by the shareholders of Quebec that they would not be satisfied if Sir Francis Hincks was not removed from the Presidency of the Institution.

The CHAIRMAN said he rose chiefly to a practical question, (Cries of "Vote, vote.)' The adoption of these amendments must be done by ballot, and much valuable time would be wasted. Mr. Cassils' amendment was the only common sense course to pursue.

A SHAREHOLDER called the attention of the meeting to the fact that if they voted indiscriminately many votes would be frittered away on scattering names and be lost, while the solid vote would be for the old Board. (Hear, hear.)

Mr. A. ROBERTSON, as one of the scrutineers, was not desirous of staying there all night to take ballots on these useless amendments. Mr. Cassils' motion was the only sensible one.

Mr. BOND, as another scrutineer, was prepared to stay all night if necessary. If the other party objected to the amendment let the main motion go.

Dr. HINGSTON thought it would be reasonable to confine themselves to what it was possible to do. The Board say, "Gentlemen make your selection and we will abide by it." This meeting was not here for "hole and corner" business, and it did not want child's play. If we nominate gentlemen the Board dare not refuse them.

Ald. MCCORD and MR. J. H. JOSEPH spoke in favour of the original motion.

Rev. DR. GREEN expressed a like opinion with Rev. Professor Weir.

Rev. R. CAMPBELL had other matters to attend to and desired to get away. The only sensible course was to vote at once for the seven names. He objected to be dictated to by a committee of Montreal shareholders alone.

Ald. MCCORD, amid much uproar, said he understood that Sir Francis Hincks should abide by this agreement.

Sir FRANCIS—So I do.

Mr. ALLEN asked if the idea was that an agreement between the Committee and the Directors was to bind this meeting of shareholders. He decidedly objected.

An indescribable scene of uproar ensued.

The CHAIRMAN, having restored order, stated that he had been requested to say that Mr. Saunders' name on the Board was objected to by the ladies.

Renewed uproar greeted this announcement.

MISS ISABELLA MACDOUGALL said that she thought the lady shareholders should have a voice in this meeting. She considered the matter of this Bank a fit subject for the attention of the Governor-General and the Lieutenant-Governors of the several Provinces. Shareholders in such institutions needed the protection of new laws. There were men in Montreal who were prepared to swear away men's lives, and women's lives also. (Applause.) They were fit subjects for Zululand and King Cetewayo.

Several VOICES—They are worse.

MISS MACDOUGALL called upon the President and Directors to refund

the amounts lost by lady shareholders. Her interest in this Bank was very small, and she was therefore not speaking for herself, but she called upon Mr. Campbell to make good the position she stood in a day or two before the Bank closed. She then reported a conversation with Mr. Campbell, and held that it was time ladies should be protected, and an appeal made to Parliament in that behalf. She also proposed that a subscription be raised for the lady shareholders in destitute circumstances and that the gentlemen show their liberality by subscribing thereto.

Considerable discussion ensued as to the mode of taking a vote on the directorate, the President and Directors being opposed to any other than a unanimous vote for seven persons.

Mr. CASSILS pressed his motion.

Mr. ALLEN said it occurred to him that the old Directors would not add much to the honour of the institution. He had heard a great deal about it, and was of the opinion that it was a huge swindle from beginning to end. He could only characterise it as the greatest robbery perpetrated in this country. But he asked who were these gentlemen of Montreal who proposed new men? The shareholders might be jumping out of the frying pan into the [illegible] He had heard a great many reports. He had heard that one of the gentleman did not want to be present unless he was paid for it—a pretty cunning fellow that, who got rid of his stock last year. Then there was another who wanted to get into the directorate in order that he may influence the Board to put the bank into insolvency in order that he might be appointed the assignee. (Cries of "Name, name.") He had heard of another director who had pointed out all the secrets and brought them to light, that he was a confederate of Ascher & Co. They knew that Ascher, who got an enormous amount of money from the bank, bought 50 shares and paid for them in funds of the bank, and at the desire of the bank transferred them to Mr. Saunders. He (the speaker) might well say that of all things heard of in his life this beat all. He went down to Ascher's place and what did he see? His stock of goods consists of a few sticks and combs, and yet the same firm obtained $575,000 accommodation from the bank, and the person who gave a scallawag of an institution like that such indulgence ought to be imprisoned.

A LADY—It was a perfect swindle.

Mr. SAUNDERS said he had been attacked most unjustly. From what had been said it might be imagined that he was really a confederate with regard to the assistance given Messrs. Ascher & Co.'s estate. All he had to say was that he was most happy that this question had been brought up, because he had heard it reported that he had acted very discreditably. Those friends who knew him well would say that what he asserted was correct, and were willing to bear out whatever he stated. His commissions in connection with the Ascher estate only amounted to $6,030, fully half of which was to be deducted for expenses. Imagining that he would be attacked at this meeting, he had called on two gentlemen who were present to go over and check his books.

A SHAREHOLDER—Why did you threaten to throw your stock on the market, provided Mr. Renny declined to advance you money?

Mr. SAUNDERS—It is a direct lie.

Dr. HINGSTON thought that Mr. Saunders was not on his defence, and was entitled to some consideration.

Rev Mr. LANG was not in favor of revolution in the board. The president and directors should be asked to resign, and if not they should bear the responsibility. (Cries, "Put the question, Sir Francis.")

A SHAREHOLDER—Shall Sir Francis be president of this bank for the next six months or a year, or not? (Cries of "No, no.")

The motion of Mr. Gilmour was again presented, but was not entertained.

A SHAREHOLDER thought that Sir Francis should not be singled out for blame more than the directors.

Rev. Mr. WEIR—In my opinion, Sir Francis has been guilty of omission more than of commission. He is a man of ability, and, as such, great things were expected of him. He was entrusted with the bank's business more than the directors, and, as such, he is naturally held responsible.

A SHAREHOLDER—Sir Francis says that the vote will have to be taken by ballot, and that it will take two hours to do it. It will be a good two hours' work to get rid of him.

The CHAIRMAN—The vote is on Mr. Cassils' amendment. (Cries of "No, no.")

Mr. RITCHIE, Q.C., again presented Mr. Allan Gilmour's resolution, with a slight amendment, and contended that it was perfectly legal and should be put to the meeting. The previous question was moved by Dr. Hingston, who took the ground that it would cut off all discussion and bring the amendment of Mr. Cassils to a vote.

Mr. BOND—No; the original motion.

Mr. RITCHIE, Q.C.—No; the first amendment.

SIR FRANCIS HINCKS—Shall the main question be now put?

VOICES—No; the amendment of Mr. Gilmour.

A VOICE—Sir Francis has told you he will not resign, and what's the use of wasting time when you cannot force him to do so.

Mr. CLEGHORN—I move to adjourn this meeting until to-morrow at o'clock.

Lieut.-Governor MACDONALD explained that the previous question it off all except the original motion.

Several Voices—Yes, that's it.

Dr. Hingston was requested to withdraw his motion.

Mr. CLEGHORN objected that it took two to make a bargain of that nd, but he was over-ruled, and at length the sense of the meeting was ken by a show of hands, the decision being that a vote be taken by llot upon the motion of Mr. Gilmour.

Mr. RITCHIE moved an adjournment, and that in case fifteen minutes psed after the deposit of any vote the ballot close. Carried.

The resolution of Colonel Turnbull was ultimately carried, and subsently the resolution by Mr. Cassils, that seven Directors be balloted

It was then moved that the balloting be proceeded with, to close at p.m.

AFTER RECESS.

On the meeting being called to order at 9.15 p.m.,

SIR FRANCIS HINCKS announced that the balloting for Directors resulted as follows:—Messrs. John Rankin, John Grant, R. J. Ree Hon. D. A. Macdonald, Henry Lyman, W. W. Ogilvie, James Croil.

The result was received with applause.

MR. ROBERT CASSILS then moved that this meeting do now stand journed until to-morrow morning at 10.50.

MRS. HOLLIS said she had a motion to make. She moved, seco by Miss Macdougall, that owing to the enormous losses made by bank under the late management, entailing suffering on so many fami throughout the country, this meeting calls upon the late Directors make good a sum of $400,000, being equal to ten per cent. upon original capital of the Bank, in order that so much of the loss thro their mismanagement may be returned to the unfortunate shareholde (Laughter and applause.)

SIR FRANCIS HINCKS said that if they were to ballot on such a mo as this, they would be there the whole night.

MR. CASSILS called upon the chair to put his motion of adjournm to the meeting.

MR. J. H. JOSEPH—No, no.

MR. HENRY LYMAN said the question was, what would be the po of the new Board? He thought they could come to a decision to-n or to-morrow morning. He did not think it would take a great dea time to discuss this properly, and suggested an adjournment until morrow morning, so that all the parties might come together.

SIR FRANCIS HINCKS did not see what object could be obtained discussing the future policy of the bank. It would only be prejudici the interests of the shareholders.

HON. J. ROBERTSON favoured an adjournment until to-morrow m ing, as the shareholders would be brought together. Many gentle thought that, with prudent management, the bank could be reinsta and this was his own opinion also. (Hear, hear, and applause.)

MR. J. H. JOSEPH did not see why they should adjourn. The m ing had voted confidence in the late Board. (Cries of "No, no.") what stronger expression of confidence could there be than the re-ele of four of them? He wished the shareholders joy of the consequen They had practically voted confidence in the old Board.

SIR F. HINCKS—Mr. Joseph, himself, seconded the resolution to four new names on the Board, and there are three new names.

MR. J. H. JOSEPH—But not yours. (Laughter.)

SIR F. HINCKS—Mr. Joseph proposed to put four new names on Board, three have been put on; and the result is that the meeting not decided exactly according to Mr. Joseph's wishes. (Laughter.

A SHAREHOLDER—That's very different. (Laughter.)

MR. ROBT. MOAT was convinced that no vote could be obtained to-morrow morning, but he thought something might be done by adj

ing for thirty days. By that time it would be possible to obtain information.

Mr. CASSILS—But there are some questions to ask which should be answered now or to-morrow morning.

Mr. MOAT hoped he would be allowed to express his opinion, and only regretted that it was not the same as Mr. Cassil's. There was not one man in the room who could say what the future policy of this bank would be. If they adjourned for thirty days, so as to show what the position of this bank might be at that time, he thought they would be in a position to do something then, but he did not think they were in a position to do anything to-night.

Sir FRANCIS HINCKS said, if they adjourned for thirty days, they would be getting so near the time the ninety days expire, that the Directors would not know what to do, not knowing what would be the result of that meeting. They had better leave the Directors free. If they adjourned thirty days there would be no time afterwards to take the necessary action.

Mr. J. P. CLEGHORN would like to ask who it was that inspired the bank to assume the large liability of J. J. Joseph & Co., of Toronto, to J. G. Ascher? (Sensation.)

Miss MACDOUGALL—Answer that.

Mr. ROBERT MOAT thought that was not the point under discussion. He went on to speak in support of a thirty day's adjournment, as he thought no discussion could be reached by to-morrow morning.

Hon. Mr. ROBERTSON said there was ample time to form an opinion by to-morrow morning. They might possibly have a vote to censure the whole of the late Board, or they might have to answer a question such as Mr. Cleghorn had put. He therefore asked for an adjournment until to-morrow morning.

Mr. H. LYMAN did not see that any harm could result from an adjournment until to-morrow morning.

Several Shareholders—Answer the question, Sir Francis?

Sir FRANCIS HINCKS had no hesitation in saying that the purchase of the stock and lease of Joseph & Co. was made without the knowledge of the Directors by Mr. Renny. It was made at Mr. Saunders' discretion. (Great excitement.)

Miss MACDOUGALL—Why didn't you say that in the morning when Mr. Saunders was present?

Mr. SAUNDERS—I deny what the President has said. (Sensation.)

Sir F. HINCKS—There is a paper in the Bank in Mr. Saunders' handwriting which will prove the truth of what I have said.

Miss MACDOUGALL—It is not true.

Mr. S. PEDLAR—It is quite evident Mr. Saunders can give us a great deal of information.

Mr. SAUNDERS then entered into an explanation of how he had gone to Toronto, being desirous of assisting Mr. Ascher; believing the price of this stock and lease was very low, he thought there would have been money in it. Mr. Ascher was prepared to guarantee the payment by a chattel mortgage.

Sir FRANCIS HINCKS—There is the document!

Mr. MACDOUGALL having got possession of the paper, read it to meeting in a loud voice as follows:—

"H. & A. Saunders, Wholesale Jewellers, 60 St. James St.,
"MONTREAL, 7th December, 187

"*Memorandum.*"

1. The stock of L. & P. House in Toronto, to be purchased in the name of & Co., at Mr. A. Saunders' discretion. 2. Whatever price is paid shall be satisf to the Bank. 3. Mr. McCracken to have authority to cash cheque of Ascher & representing 10 per cent. amount of purchase, on Tuesday next, and likewis further 10 per cent. on taking delivery of stock to accord with terms of sale (on cash), balance of purchase to be settled by notes, if endorsed by A. Saunders, to be responsible for said endorsation, contingent upon Saunders handing mortgage on stock, reserving his own claim out of the L. & P. House firs Saunders to hand over the amount realised from estate of his claim to the Bank. purchase of the stock includes lease of premises to June 1st, next, by paying from time of possession of original figure. The interest of the eighteen years from June 1st, to be purchased, like the stock, at Mr. Saunders' discretion, Ascher, or let go, as he may think best, irrespective of the stock. Copy of th to Mr. McCracken. (See Letter Book.)"

Mr. SAUNDERS—Now, gentlemen, you have heard this letter and I ask you what does it mean?

Mr. THOMPSON—It means that Mr. Ascher acquired this prope the expense of the Bank.

A VOICE—The truth is coming out. An excited shareholder pu forward one of the lady shareholders, a modest looking little wom widow's weeds—Look at this lady, Mr. Saunders, and blush! woman, whose money you have filched! You are a bank direct you? Well, if I had seen you, you never would have had my After all, Mr. Saunders, you are not to blame, but me for electing a man for our director! The confusion at this point became indescri and Mr. Saunders attempted to explain that the bank woul eventually lose anything by the Ascher-Joseph Toronto transaction.

Mr. SAUNDERS—When the liabilities are paid, the Bank will n by this mortgage.

The motion of adjournment was then put and carried.

THE ADJOURNED MEETING.

Mr. HENRY LYMAN wished to say a few words about Ascher According as he understood it, their liabilities to the Bank were 000. This was a very important question, and he believed more should have been given to it. At all events, it was hardly exha the previous evening. On that occasion the Chairman had state the statement co' be given in a very few words, and that he co the information in three minutes, and then he stated that these a were made at the instance of Mr. A. Saunders, of the firm of H Saunders, that notes were passed and endorsed by Saunders, a out of these notes he was first to be paid and escape all liabilities.

The CHAIRMAN—Every single word uttered by Mr. Lyman, if he ill allow me to say so, is a mistake. The question Mr. Cleghorn asked as not the question Mr. Lyman put into his hands. Mr. Cleghorn ked a question about a particular transaction, and I answered the ques-on exactly as Mr. Cleghorn asked it. He did not ask the general ability of Ascher & Co., but of Ascher, Laurie & Co.

Mr. LYMAN held that it did not explain the whole case, and con-nued to ask questions respecting some $40,000 of Messrs. Ascher's ability, payable by notes, which Mr. Saunders endorsed, and for which was to receive a chattel mortgage for his own security. All that he anted was British fair play. He had brought up the subject again der the impression that Sir Francis had charged that gentleman with sponsibility for the whole of Ascher & Co.'s account, and upon a state-ent made personally to him by Mr. Saunders.

The CHAIRMAN said the only point he wished to correct in Mr. rman's statement was that this purchase was not made at the instiga-n of the Bank. It was made without the knowledge of the Directors d at the instigation of Mr. Saunders, who received his own claim in nnection with the London and Paris house, and let the Bank in for the air. Another point he wished to refer to: A large quantity of goods re warehoused with Furniss, and afterwards transferred to fill orders the London and Paris house, and that without the knowledge of the rectors. The paper referred to by Mr. Lyman was found quite ently. He had stated frankly and fully all he knew on the subject.

Mr. LYMAN was not prepared to accept the assertion of the Board t they knew nothing at all about this transaction. Why, he asked, did Bank not know all about it, and why did the President not know hout making any assumed charge of culpability? "Let justice be done ugh the skies should fall."

Mr. CASSILS understood that Saunders was not on the Board of the nk at the time?

The CHAIRMAN—No.

Mr. CASSILS—He was a shrewd man. He was not a Director, had no ponsibility. He made a bargain, and those who allowed him to make uffered.

Mr. LYMAN said it was a matter of very great importance to many.

Miss MACDOUGALL asked Mr. Lyman if he considered that the sident, Sir Francis Hincks, had had fair play the day before?

Mr. LYMAN did not see that this was the time and place to express an nion.

Miss MACDOUGALL said Mr. Lyman had known her from a child. He a friend of her late father, and she was very much surprised at the rse he had taken. He had said that morning that he knew very little ut Mr. Saunders. He did not talk that way the previous day during balloting, when he was attempting to influence the ladies to vote inst Sir Francis Hincks. (Sensation.)

A LADY also asked whether Dr. Hingston was in a position to vin-te Ascher & Co.?

Mr. LYMAN proceeded to address the ladies, and was interrupted by

Rev. Mr. GREEN, who advised him to address the chair and thus avoid confusion.

Mr. LYMAN declared that he did not influence the vote, and that it was not his place to censure his fellow-shareholders in reference to that vote. He knew but little about Mr. Saunders at the time.

A LADY—Well, you should have stated so then.

The CHAIRMAN then put the following motion:

Moved by Mrs. HOLLIS, seconded by Miss MACDOUGALL, that owing to the enormous losses made by the Bank under the late management, entailing suffering on so many families through the country, this meeting calls upon the late Directors to make good a sum of $400,000, being equal to ten per cent. upon the original capital of the Bank, in order that so much of the loss through their mismanagement may be returned to the unfortunate shareholders.—Carried amid laughter and applause.

Mr. HENRY LYMAN, jocularly, asked the Directors to hand over the money.

The CHAIRMAN asked all those present, who were not stockholders, to retire.

Mr. CASSILS directed attention to the statement of assets and liabilities. It appeared to him that omissions had been made. It appeared to him that there were bills discounted which did not appear in the affairs of the Bank. They were entirely ignored, and were a large liability.

Mr. JOSEPH said that full allowance had been made for any loss on these notes.

The CHAIRMAN—Fully.

Mr. CASSILS pressed his question.

Mr. BURNETT asked why no notice of them was taken in the Government Returns, and at what time the rediscounting began?

Sir FRANCIS HINCKS said he could not answer all manner of enquiries at once; but would reply by simply giving the facts, which were these:—The total amount of notes rediscounted with other banks was $622,000, which was distributed between five banks which there was no need for naming. In addition there was a liability of $73,000, which was obtained under other circumstances, being the amounts received by five banks, which had taken the business of the agencies that had been wound up, and for which paper the Bank had been endorser. The fullest investigation had been made into all this paper, and the fullest allowance had been made for bad debts. This system of rediscounting had been going on since December last, when a run had been begun on the Belleville Branch. This was duly reported in the newspapers, and immediately a run was begun on other branches, and continued to the time the doors were closed. On the 31st December, 1878, the liabilities were as follows:—Deposits, $4,818,713; circulation, $1,282,656; total, $6,101,369. On the 31st of March the liabilities were:—Deposits, $1,338,249; circulation, $1,064,789; total, $2,413,038, or a decrease in round numbers of $4,100,000. (Cheers.) He was bound to say the rediscount began some time ago, and deposit receipts were given for the amounts which appeared as deposits, while the paper was entered as a liability.

Mr. CASSILS—Then you may have something to return to the banks on account of those rediscounted notes?

Mr. JOSEPH—There is $70,000 reserve for this purpose.

Mr. LYMAN—You will find out what the amounts will be when you come to pay them.

Mr. BURNETT—Was any paper rediscounted before December last?

The CHAIRMAN—No.

Mr. S. PEDLAR—On an occasion when you, Sir, seem more disposed to give information than usual, I ask you to give us an outline of certain loans. I need not mention them, but all the city knows what I mean.

Sir FRANCIS HINCKS could not answer so general a question.

Col. TURNBULL—I would like to mention a name, if I am in order.

Mr. PEDLAR—Say Ascher & Co. first.

Sir FRANCIS HINCKS said it was very difficult to ascertain how the Bank had become involved in this account. The firm was a very old one, and had a very extensive business, some of their paper being from firms in St. Johns, Newfoundland; Charlottetown, P. E. I.; Halifax, Fredericton, Toronto, Hamilton, Kingston, and other cities. The paper submitted was supposed to be in the ordinary routine. But, unfortunately the General Manager had been induced, as he states, amongst other things to go into irregular transactions with that firm. Money had been advanced for a large amount on warehouse receipts without the goods being examined, and they had been allowed to overdraw their account. The Directors expected to have a statement of the creditors made at every meeting, but the liabilities were not correctly stated. The Directors had recently found out that the officer of the Bank who prepared this statement for the Directors had received special instructions not to post Ascher & Co.'s liabilities from the ordinary book, by the way, known as the liability ledger, which ledger was, at every meeting of the Board, ready for examination. The ledger under the name of Ascher & Co. showed an indebtedness very much less than one could actually conceive. He learned that the clerk, Morgan, had orders not to put the liabilities of Ascher & Co. in this book, and that Mr. Renny informed Morgan what amounts were due from Ascher & Co. These amounts were entered according to Mr. Renny's statement, and not in accordance with the direct order of the Board,

A SHAREHOLDER—What were the liabilities of Messrs. Ascher & Co. represented at?

The CHAIRMAN—On April 3rd, in this ledger, the amount due the Bank by this firm was put down as $158,000.

A SHAREHOLDER—And what were the actual figures at that date?

The CHAIRMAN—$530,000. I am told that I am responsible for the General Manager's acts; but I never understood that I was to do the General Manager's business. I was not informed of the particulars of the London and Paris house transfer.

A SHAREHOLDER—Who induced Mr. Renny to make the advance in that transaction?

Sir FRANCIS HINCKS—I always understood it was Mr. Saunders.

A SHAREHOLDER—Is it true that shortly after the last meeting it was found out that Mr. Renny was falsifying the books?

Sir FRANCIS HINCKS—It was after the annual meeting that the error was found out. He did not like to use so harsh a term as falsify. He had regarded it as a question whether the books at the head office of a bank should be inspected by the ordinary inspectors. There never was an inspection of the City Bank. If perfect candour was exercised by a General Manager the Directors would know everything. He ought to be a person in whom they could place implicit confidence.

A SHAREHOLDER—If Mr. Renny falsified the books, why did the Directors not prevent his leaving the country?

The CHAIRMAN—I never said a harsh word against Mr. Renny, and for this reason, although he feels very strongly against me, I have not been able to trace a personal motive in anything that he did.

A LADY—For whose benefit did he do it then? It must have been for some one's benefit. (Applause, and cries of "Order.")

The CHAIRMAN—I think he was led to the course he pursued by very great nervousness, very great timidity. He imagined if he let down these firms the Bank would be ruined. (Cries of "Ah, that's it.") We all know how exceedingly nervous he was. (Sensation.) I was asked why he was allowed to escape. It was for this simple reason I took legal advice, and learned that there was nothing in the statement submitted to the Board on which he could be criminally prosecuted.

A SHAREHOLDER—Is it not criminal to falsify books and make away with thousands of dollars?

Mr. HENRY LYMAN—Sir Francis, I wish to ask you whether it was not competent for you to go behind the liabilities ledger and see how far it compared with the general ledger?

Sir FRANCIS HINCKS—Certainly, it was. I have admitted that.

Mr HENRY LYMAN—Is there any loss accruing through the purchase of the Joseph estate in Toronto?

Sir FRANCIS HINCKS—I cannot say at present. I am not prepared to say the Bank is responsible for anything.

Mr. HENRY LYMAN—Then it would appear that no very large loss has accrued from that. Have $525,000 accrued against these persons in the Bank since June last, since Saunders became a member of the Board?

Sir FRANCIS HINCKS—No responsibility rested with Mr. Saunders since he became a Director.

Mr. HENRY LYMAN—Mr. Saunders had a singular opinion about the solvency of this firm. There is not another man in Montreal would give them credit for $500. I can tell the President of a firm doing business in Manitoba and elsewhere who could not obtain credit for one-tenth of the amount.

Sir FRANCIS HINCKS—I did not say that Mr. Saunders recommended a credit; I merely said that Mr Renny had stated that Mr. Saunders had expressed his belief in the solvency of the firm.

A SHAREHOLDER—If Mr. Lyman appeared last night as the advocate of Mr. Saunders he would never have been elected. (Hear, hear.)

Another SHAREHOLDER—He walked home with him last night, and that has changed his policy.

Mr. GRANT thought it would better meet the wishes of the shareholders if they chose five or six gentlemen in whom they had confidence

to interview the Directors and inform the shareholders of the results, either at a subsequent meeting or through the newspapers.

A SHAREHOLDER—No more hole-and-corner meetings. I trusted you last night, but I wouldn't this morning. (Laughter and applause.)

Another SHAREHOLDER—No, no, Why alter this; I would not trust my own brother.

Mr. PEDLAR—Do I not understand that Mr. Saunders was the party that introduced them?

The CHAIRMAN—I merely said that Mr. Renny stated that Mr. Saunders had stated he had a great deal of confidence in them, and as a firm they were perfectly good.

Mr. CLEGHORN asked Mr Lyman if Mr. Saunders, who had shown so much interest in the affairs of Ascher & Co, acted as delegate from the Bank at the general meeting of creditors under the Insolvent Act, and how Messrs. Kortosk and Saunders were elected inspectors of the Bank, and if each of them were creditors to the estate? If so, the transaction was a very unusual one to him.

Mr. LYMAN knew nothing of it, and must certainly protest against being placed in such a position. (Cheers and laughter.) He was not desirous of screening any one, least of all Mr. Saunders, but he would not crucify him because he was a Jew.

SEVERAL SHAREHOLDERS—You brought it on yourself.

A LADY—Who would you crucify, then?

ANOTHER LADY—We honour the Jews more than you do.

ANOTHER LADY—You would crucify both Jew and Christian.

A THIRD—We have been crucified enough, I am sure.

Sir FRANCIS HINCKS explained that there was a good deal of complication about this matter. During the absence of Mr. Saunders from Montreal nothing had been said about the insolvency. During the absence of the Directors Mr. Kortosk had taken possession of a piece of paper, which they had reason to believe Mr. Saunders had seen before. He might observe that Mr. Saunders had been placed specially in charge of the Ascher estate, and was to devote his attention to it. During his absence temporarily for a few days it came to the knowledge of the Directors that large quantities of packages of goods which had been left as special security to the Bank had gone away to certain persons, many others to Mr. Saunders, and others to Messrs. Kortosk and Sternberg. (Great excitement.) He could not go all over the affair, but suffice it to say that this was enough for the Directors who unanimously determined to put the estate into insolvency They determined, in their wisdom, that they could not do better than appoint Mr. P. S. Ross, assignee, but (he did not wish to utter a single word of fault-finding against any gentleman) great difficulty occurred with regard to who should get possession of the estate. After a good deal of application an understanding was arrived at by which the joint assignees agreed to abandon their claims to the office, and some understanding was arrived at by which Mr. Shepherd and Mr. Ross came to an understanding. Mr. Saunders was not specially directed by the Bank to represent it.

COLONEL TURNBULL—There was among the assets a considerable sum as real estate, and another large sum as notes overdue. He had heard some

very ugly rumours on the street, and thought it would not injure their interests to ask about one, the account of O'Brien. When was this first opened? Under what circumstances, and who was the endorser of the first paper, and was it paid on maturity? The rumour was that the Bank will sustain a loss of $50,000 on this account.

The CHAIRMAN said he would give a history of the account so far as he knew. It so happened that it was opened during his absence in England. The first appeared to have been in 1875, and commenced by discounting a note of eleven thousand dollars. It was laid before the Directors, who understood its nature, and no difficulties were raised. Mr. Renny allowed Mr. O'Brien to draw a cheque on the Bank to pay this note, and allowed him to overdraw his account from time to time, at the same time taking what appeared security for it. The whole transaction was irregular. An attempt was made to put Mr. O'Brien into insolvency, but he maintained he was worth a million. Mr. Renny also had an insurance on his life for $100,000, and would maintain that he left the account in first-class condition. He believed in this case his motive was honest. He did it because the Bank was getting ten per cent.

A LADY—We have nothing to do with his motives—what about his actions? (Order, order.)

Mr. JOHN GRANT said an attack on him was intended. He was the party who endorsed the note, and he did it on the understanding he would not be held responsible. He had taken a mortgage in trust for the Bank, and was not responsible in any way for the note.

COLONEL TURNBULL—This $11,000 note, endorsed by Mr. Grant, is the first opening of the account. When this matures he has overdrawn $33,000. When this note becomes due, endorsed by one of the Directors instead of the note being protested, he is allowed to overdraw to pay this note. The Director is relieved by the further overdrawing. I am glad to have this brought out before the public. If Mr. Grant had any private arrangement by which he was not to be held liable it makes the matter still worse. If it was done without the knowledge of the Directors it is worse still.

MR. GRANT said every gentleman knew that such matters were transacted every day.

A SHAREHOLDER—Is it then strictly legal?

Another SHAREHOLDER said the Banking Act did not allow an advance of money on real estate as collateral.

Mr. GRANT—I held it as Director's security.

A LADY—And what security do the Directors give the shareholders?

MR. GRANT—I was a shareholder at the time.

The CHAIRMAN—There was only one note of $11,000 came before the Directors. He was not certain that it was in 1875. The over-draft might have been sooner. He had little doubt the security was sufficient. The irregularity was this: Mr. Grant did not know anything about O'Brien, but he was induced by Renny to do it.

Several gentlemen enquired as to the value of the real estate, and amid excitement and cries of "Mount Royal Vale" and "Victoria City"

The CHAIRMAN explained that Mount Royal Vale was not the whole

of Mr. O'Brien's property. It was not entirely a bad debt. Certainly a large amount had been put down as bad, and he must admit that the whole transaction was irregular, Mr. Renny in his anxiety for the prosperity of the Bank wishing to get ten per cent. on real estate indirectly as he could not do it directly. Afterwards he found out this was not a proper proceeding, and he went on making advances by over-drafts.

Colonel TURNBULL—Before you go, sir, may I ask what is the loss on O'Brien's account?

Sir FRANCIS HINCKS—$75,000. He explained that he had some pressing business outside, and asked leave to vacate his seat for an hour or so in favour of Mr. Rankin.

Colonel TURNBULL—One word more. Did Mr. Grant do it with the knowledge of the Directors, or was it an ordinary discount note? If it was done with the knowledge of the Directors the Bank forfeited its charter.

Mr. GRANT—I simply endorsed it, and have a letter I received at the time, which I can produce.

The CHAIRMAN—I feel morally certain that the Board knew nothing more about it than that it was a note made by Mr. O'Brien and endorsed by Mr. Grant.

Colonel TURNBULL—Then all I have to say is that I am glad I placed Mr. Grant's name yesterday on the list of those I thought should resign. I should like to know how much Mr. Grant owes the Bank.

Mr. GRANT (promptly)—$16,000.

A SHAREHOLDER—How much has the Bank received since its suspension, and what has been done with it?

The CHAIRMAN—It is impossible to say. It is lying there

Sir Francis Hincks now vacated the chair, which was taken by Mr. JOHN RANKIN.

Mr. J. CRAWFORD said Sir Francis indicated that he had some delicacy about moving, and that there was a doubt on his mind as to whether he had the right to interfere. This led him to make a few general remarks. The position of the Directors implied that they had both the capacity to administer and the opportunity and time to watch the interests of the shareholders. They were not placed there as a statue in a niche. No defence could be offered for the acts of the management; but how far they might be extenuated by a want of supervision by the Board gentlemen could form their own conclusions. Directors had no right to buy or sell for bettering averages.

Mr. RANKIN explained that he had never sold a cent of his stock since he purchased. He had invested $40,000, and was induced by the late Manager to increase his liability in order to sustain the Bank.

Mr. SNOWDON—I have asked for a statement of Mr. Beattie's account. I have been informed on the street that $75,000 of his paper was protested, and that after that he received $31,000 from the Bank.

Mr. RANKIN said that this had been put very much lower than it should have been, and that Mr. Beattie would not get his estate again if they could help it.

Mr. JOSEPH said it had been currently reported that there were about $300,000 *bons* and overdue accounts, and asked if it were so how could it be explained.

Mr. PLIMSOLL said that Mr. Louson, one of the tellers, had a large amount of *bons*, which he was saving unknown to the Directors. Being asked whose *bons* these were, he replied $68,000 were of Ascher & Co., $47,000 of Beattie, $25,000 of S. Davis, and several of Fish, Shepherd & Co.

At this point the meeting was interrupted by a lady charging Mr. Wethay, the Secretary, with presuming to address her.

Order being restored,

Mr. JOSEPH asked whether a regular system was pursued of counting the cash.

Mr. WETHAY replied that the cash was counted by five officers of the Bank, and occupied several hours. He, with Mr. Clark, had gone through the cash when those *bons* were there, and Mr. Clark had refused to sign them. To his knowledge the Directors had counted the cash twice—the first time about eighteen months ago, and the last about seven months ago.

Mr. JOSEPH—Did you not find it strange to see $300,000 in bons?

Mr. WETHAY replied that he was subject to the Manager, who relieved him of all responsibility.

Mr. GRANT stated that when the directors counted the cash, there were only a few *bons* of about $1,100, and nothing at all irregular.

Mrs. HOLLIS said the management had been most scandalous, and every one of the directors was to blame.

It was moved by Mr. C. ILSLY, seconded by Miss MACDOUGALL, "That Messrs. T. W. Ritchie, Q.C., Col. Turnbull and Ald. Hagar be a Committee, to draft a petition to the Government on behalf of the shareholders of this bank, for an immediate investigation as to the correctness of the monthly returns or statements sent to the Government by the Directors; also for the arrest and punishment of the officers, for all false statements made by the directors and management of the bank."

The motion was put and passed amid great applause.

Mr. FOLEY said it might be interesting to learn something concerning the account of William Coulson, grain merchant.

Mr. RANKIN explained that the loss on a shipment of grain to Liverpool, by sweating, had been between $60,000 and $70,000, and the bank lost to the extent of $35,000.

A VOICE—Why was the corn not insured?

No answer was given to this question.

Mr. S. PEDLAR moved an adjournment for an hour, in order that the shareholders might obtain the only consolation under the circumstances, *i.e.*, that of knowing how some of their money went. He was also desirous that the meeting should close with Sir Francis in the chair.

Adjourned till two o'clock.

AFTER RECESS.

Mr. PEDLAR asked if the bank had lost much by brokers?

The CHAIRMAN—Very little.

A SHAREHOLDER said they had lost by one broker, Mr. Rhind.

A DIRECTOR—And the only one. It was only $5,000.

A VOICE—Are any of the employés in the bank's pay at the present time, who were aware of the state of things you have informed us of, so far as Mr. Renny is concerned?

The CHAIRMAN, in reply to various interrogators, said there was Mr. Wethay, Mr. Louson, Mr. Morgan, Mr. Renny and Mr. Pridham.

A SHAREHOLDER—It is very strange that these *bons* to the extent of $300,000, should have lain there all these days, and no one had courage to tell the directors. Our directors have been paid fifteen thousand dollars a year, and yet they know nothing of the affairs of the bank. I do not know what the country is coming to, if that is to be the way of conducting business.

Mrs. HOLLIS asked why Mr. Morgan was allowed to leave the country? He ought to have been kept here, and be present at the meeting.

The CHAIRMAN said Mr. Morgan had not left the country. He would tell all about Mr. Morgan, although he must confess he did not like to make such statements. He continued—There was no doubt that Mr. Morgan knew a great deal about the transaction. I wanted him here. One or two gentlemen—one of whom I see before me—thought it desirable to place a detective upon him. I did not know upon what ground. I sent for him and he came, when I told him that it was very important that he should be here, and he promised to remain in Montreal.

Miss MACDOUGALL—Did you take any security for his appearance here?

Sir FRANCIS—No, I could not do that; there must be a charge against a man in order to keep him here. Mr. Morgan claimed that he did as he had done by direction of his superior officer. When I wrote to him and asked him why he had broken his promise, he answered, that he was not in the pay of the Bank, that his wife was ill, and that he was forced to leave on that account. He is not, however, out of the jurisdiction of the country; he is in Peterboro'. We could not move in the matter. Men are not to be put in the penitentiary against the laws of the country. Every man must have a trial. Many people think I ought to be there, and if sent I am ready to go. We must take legal counsel, however, and we were not advised to do anything.

A SHAREHOLDER believed they had ground for action against Mr. Renny for falsifying the books.

ANOTHER SHAREHOLDER asked the name of the lawyer who advised, and did not believe that the Hon. Mr. Abbott, if he was the Bank's Counsel, would advise the Bank not to prosecute, in face of the facts.

Mr. ILSLY said falsifying books was a criminal offence.

Sir FRANCIS—I do not see that there was any falsification of the books. (Laughter, hisses and ironical cheers.)

A SHAREHOLDER—Do you not call it falsification of the books to say that there are liabilities to the extent of $200,000 when there are a million? (Sensation.)

Sir FRANCIS—Well, you may call that falsifying books; I do not. The truth of the matter is, Mr. Morgan says he did what Mr. Renny told him, and Mr. Renny says he placed too much confidence in Mr. Morgan. This I know, that I had a statement concerning the affairs of Messrs.

Ascher & Co. in my drawer, and one day Mr. Andrew Robertson called to ask me some question about the liabilities in the statement. Mr. Morgan came to my office and asked me for it. I gave it to him, and when I sent for it two hours afterwards, he replied that it had been destroyed. (Loud laughter and hisses.) That was the first suspicion I had of Mr. Morgan that all was not right. I saw Mr. Renny about it afterwards and he remarked that I was too hard on Mr. Morgan; that he was somewhat careless.

Mrs. HOLLIS—Did Mr. Morgan destroy it?

Sir FRANCIS—He did. Mr. Robertson was present when I received the message.

Mrs. HOLLIS—You knew then that he was a guilty man, and you let him go?

A SHAREHOLDER—How long was that before the annual meeting?

Sir FRANCIS—That was after the annual meeting, and before Mr. Renny went away.

A SHAREHOLDER—And yet you said a moment ago that you could not take proceedings against either of them for want of direct evidence?

A SHAREHOLDER asked if all that were set down in the assets were good, or included any of the insolvent firms?

Sir FRANCIS said that in cases where there were liabilities of $100,000, and $60,000 were paid, the amount was wiped off and the $40,000 placed to the good.

Mr. ROBERTSON thought there was no necessity in further prolonging the meeting, as no practical result could arise therefrom. It was now time for them to act and do all that they could with a view to a speedy realization of assets. He therefore moved,

"That the Directors of this Bank are hereby instructed in the meantime to proceed to close the affairs of the Bank by voluntary liquidation, without too much sacrifice of assets, at as early a period as possible, either under their own supervision, or by a Committee of their number, or otherwise as they shall deem best; that the Board is hereby authorized, if they deem it imposible for the Bank to resume operations in general banking, to dispose of the assets to another bank or banks, and that reports from time to time shall be sent to the shareholders of the progress made in carrying out the resolution." Carried unanimously.

The CHAIRMAN said the motion fully met his views.

Mr. FURNISS was called to explain his transactions with the Bank. He explained that he had endorsed through Mr. Renny, at the order of the Bank, notes for Messrs. Ascher & Co. to the extent of some $200,000 to $300,000, and further that goods which he held in warehouse for Messrs. Ascher, and represented by them to be worth $28,000, were valued at $7,000 by his valuer, and $8,000 by Mr. Hagar for the Bank.

The CHAIRMAN explained that the lowest estimate the Bank premises in Montreal was worth was $12,000. Then there were also buildings at Toronto, Seaforth and Clinton.

Mr. PEDLAR thanked Sir Francis for his frank replies to questions, and said that he thought more highly of him than at the commencement of the meeting.

Sir FRANCIS thanked Mr. Pedlar, and declared the meeting closed.

A CRIMINAL ACTION INSTITUTED AGAINST THE DIRECTORS.

Criminal action having been taken against the President and Directors on the 7th October, the following indictment was returned, endorsed as a "True Bill": –

Canada: *Province of Quebec. District of Montreal.* } IN THE COURT OF QUEEN'S BENCH (CROWN SIDE) September Term, 1879.

To WIT:

The Jurors for Our Lady the Queen, upon their oath, present that before and at the time of the committing of the offence hereinafter mentioned, John Baxter Renny was the General Manager, and Sir Francis Hincks, Robert James Reekie, John Grant, John Rankin, Hugh Mackay, and William Watson Ogilvie, were Directors of a certain bank, called "The Consolidated Bank of Canada," and that they, the said John Baxter Renny, Sir Francis Hincks, Robert James Reekie, John Grant, John Rankin, Hugh Mackay, and William Watson Ogilvie, being respectively such General Manager and Directors as aforesaid, on the sixth day of February, in the year of our Lord one thousand eight hundred and seventy-nine, did unlawfully and wilfully make a certain wilfully false and deceptive statement as a certain return, partly written and partly printed, respecting the affairs of the said Bank, which said statement was wilfully false and deceptive in certain material particulars —that is to say, in this, to wit, that it was therein falsely stated that certain liabilities of the said Bank—to wit, "Other deposits payable on demand"—amounted, on the thirty-first day of January, in the year of our Lord one thousand eight hundred and seventy-nine, to two million one hundred and eighty thousand three hundred and seventy-three dollars and sixty-one cents; and in this, to wit, that it was therein falsely stated that certain "Other liabilities of the Bank"—to wit, "Other deposits payable after notice or on a fixed day"—amounted, on the day and year last aforesaid, to two million thirty-one thousand and ninety-eight dollars and two cents; and in this, to wit, that it was therein falsely stated that no amount was due, on the day and year last aforesaid, by the said Consolidated Bank of Canada to other banks in Canada; and in this, to wit, that it was therein falsely stated that certain assets—to wit, the "Specie" of the said Bank—amounted, on the day and year last aforesaid, to three hundred and eleven thousand four hundred and sixty dollars and eighty-five cents; and in this, to wit, that it was therein falsely stated that certain other assets of the Bank—to wit, "Dominion notes"—amounted, on the day and year last aforesaid, to two hundred and sixty-seven thousand seven hundred and thirty-three dollars and fifty cents; and in this, to wit, that it was therein falsely stated that certain other assets of the said Bank—to wit, "Notes of and cheques on other banks"—amounted, on the day and year last aforesaid, to two hundred and sixty-three thousand eight hundred and thirty-eight

dollars and ninety-nine cents; and in this, to wit, that it was therein falsely stated that certain other assets of the said Bank—to wit, "Notes and bills discounted and current"—amounted, on the day and year last aforesaid, to seven million two hundred and fifty thousand one hundred and forty-nine dollars and forty-five cents; and in this, to wit, that it was therein falsely stated that there were no "Other Assets of the said Bank" not included under the several heads contained in the said return, they the said John Baxter Renny, Sir Francis Hincks, Robert James Reekie, John Grant, John Rankin, Hugh Mackay, and William Watson Ogilvie, then well knowing the said statement to be false in the several particulars aforesaid.

SCHILLER & BREHAUT,
Clerks of the Crown.

A TRUE BILL.

J. WALKER,
Foreman.

ARRAIGNMENT OF THE ACCUSED.

On the succeeding day, on the opening of the Court, the Bank Directors and other bank officers, against whom true bills were returned on Tuesday, put in an appearance, with the exception of Mr. Renny, late Manager of the Consolidated Bank, understood to be in St. Paul, Minnesota. The Court room was crowded with prominent citizens, among whom were many of the friends of the accused. Mr. Devlin, Q.C., and Mr. Archambault, Q.C., appeared for the Crown, and Mr. Ritchie, Q.C., for the private prosecution. Mr. W. H. Kerr, Q.C., appeared for Mr. Hugh Mackay, Mr. John Rankin, and Mr. W. W. Ogilvie; Mr. Macmaster, for Mr. John Grant; Mr. Wurtele, Q.C., and Mr. Abbott, Q.C., for Sir Francis Hincks; and Mr. C. P. Davidson, Q.C., for Mr. J. B. Renny.

On motion of Mr. Ritchie,

Sir Francis Hincks, Robt. James Reekie, John Grant, John Rankin, Hugh Mackay, and William Walter Ogilvie were arraigned and pleaded not guilty. John Baxter Renny was called, but did not answer.

The Clerk having asked the accused, in the usual form, when they would be ready for their trial, Mr. Macmaster, on behalf of Mr. John Grant, asked until Saturday to give him an opportunity of looking into the indictment. It was a matter of so much importance to his client that he felt bound to ask for delay to prepare a defence.

Mr. RITCHIE, objected to a delay until Saturday, and suggested that the trial should take place to-morrow (Thursday.)

Mr. MACMASTER thought no injury could be done to the case of his learned friend for the prosecution by delay until Saturday.

His HONOUR—Have you any special grounds, Mr. Macmaster, for urging the delay?

Mr. MACMASTER--No special grounds, your Honour, except that the matter is one which requires a careful examination of the procedings, and the great importance of the case to my client.

His HONOUR—Oh, the importance of the case, that's all! What do you say to it, Mr. Ritchie ?

Mr. RITCHIE—To-morrow, your Honour.

After some further conversation, it was agreed that the trial should take place on Friday.

Mr. KERR, and Mr. C. P. DAVIDSON, on behalf of Mr. Ogilvie, Mr. Rankin and Mr. Reekie, said they were ready to go on at any time.

His HONOUR—Very well.

The accused were then admitted to bail, the principals in the sum of $1,000 each, on each of the two indictments, being $2,000 in all, and their sureties in the sum of $500 on each indictment, or $1,000 in each case. The following gentlemen became sureties for the accused :—

For Sir Francis, Hon. Luther Hamilton Holton and Mr. George Stephen, merchant; for Robt. James Reekie, Mr. Joseph Hickson and Robt. Craik, M.D.; for Mr. John Grant, merchant, Mr. John Mair Young, merchant, and Mr. Jas. Power Cleghorn, merchant; for Mr. John Rankin, Mr. Gilbert Scott and Mr. Andrew Fred. Gault; for Mr. Hugh Mackay, merchant, Hon. Rozaire Thibaudeau and Mr. Duncan McIntyre; for Mr. W. W. Ogilvie, Mr. John Ogilvie and Mr. Henry Cleghorn.

MOTION TO QUASH THE INDICTMENTS.

On the 9th October, Mr. Devlin, Q.C., and Mr. Archambault, Q.C., represented the Crown, Mr. Ritchie, Q.C., appeared for the private prosecution in the case of the Bank Directors and officers, who, with the exception of John Baxter Renny, were all present with their counsel. Mr. Kerr, Q.C., presented a written motion in the case of the Queen against John Baxter Renny to quash the indictment on the ground of certain technical objections.

Mr. RITCHIE objected to being called upon to answer immediately a motion which had just been placed in his hands, and which he had not had time to read. He had received no notice that a demurrer was to be made this morning and he proposed that the argument should take place to-morrow at 2 o'clock.

Mr. DEVLIN said that as far as the Crown was concerned there was no objection to go on at 10 o'clock to-morrow (Saturday.)

His HONOR--Has Mr. Ritchie no objection ?

Mr. RITCHIE—Well, your Honor, I am opposed to answer any motion before I have time to read it. I have never heard of any one representing the Crown being called upon to answer a motion which had just been thrown down before him.

His HONOR—Very well, let the matter stand until to-morrow at ten o'clock.

On the case against John Grant being called, Mr. Macmaster said he

had signed the demurrer and that the other defendants would answer in the same way. The other cases were then likewise postponed.

The demurrer upon which the motion to quash the indictments is made is as follows:—And the said Sir Francis Hincks, Robert James Reekie, John Rankin and William W. Ogilvie, in their own proper persons came into Court here, and having heard the said indictment read, say that the said indictment and the matters therein contained in manner and form as above set forth are not sufficient in law, and that the said Sir Francis Hincks, Robert James Reekie, John Rankin and William W. Ogilvie are not bound by the law of the land to answer the same. 1st. Because there is no allegation therein of the said offence therein set out having been committed in the District of Montreal. 2nd. Because it does not appear in the said indictment that the Consolidated Bank of Canada is a bank subject to the operation of the Act of Parliament of the Dominion of Canada (34 Vic., cap. 5), nor is it shown in the said indictment that the said Act, or any Act of the Dominion of Canada, applies to the Consolidated Bank of Canada. 3rd. Because each of the false statements alleged in the said return is a misdemeanour of itself, and such misdemeanour should be the subject of one count, whereas there are over six misdemeanours alleged in the one count in the said indictment. 4th. Because it is not therein alleged that the return, which is said to contain the false statements, was a return to the Government of the Dominion of Canada. 5th. Because it is not therein alleged that the said return was ever published. 6th. Because it is not therein alleged that the said Sir Francis Hincks, Robert James Reekie, John Rankin and William W. Ogilvie were directors of a bank to which the Banking Acts of the Dominion of Canada apply, and this the said Sir Francis Hincks, Robert James Reekie, John Rankin and William W. Ogilvie are ready to verify. Wherefore, for want of sufficient indictment in this behalf, the said Sir Francis Hincks, Robert James Reekie, John Rankin, William W. Ogilvie, pray judgment, and that by the Court here they may be dismissed and discharged from the said premises in the said indictment.

Argument on the Motions to quash the Indictment and Demurrers, on the 10th October, 1879.

Mr. KERR—In this case, may it please your Honor, there are two indictments, precisely similar in form, laid against the late manager and directors of the Consolidated Bank. (The learned counsel here proceeded to read from the indictments.) The conclusion in each indictment is as follows:—"They, the said defendants, then well knowing the "said statement to be false in the several particulars aforesaid." Our clients are perfectly certain that there is no foundation for this, and they are perfectly ready to meet the indictment; still, they act under the advice of their counsel, and we consider it requisite that we should demur to the indictment, and move to have it quashed. We take the responsibility of putting in these pleas; although I want it understood that our clients are excessively desirous of proceeding.

The learned counsel now read the motion to quash, and the reasons therein set forth, and then continued his argument as follows: The general principle of law applicable to indictments is that all the facts and circumstances necessary to constitute the offence should be shewn in the indictment. Another principle of law is this, that when general terms are made use of, it becomes necessary to set out facts and circumstances, in order to shew that the facts are included in the terms made use of, and to shew that they are within the meaning of the Legislature In this case the proceedings are founded on the 62nd Sec. of the 34th Vic., Cap. 5. That Section is as follows:—

The making of any wilfully false or deceptive statement in any account, statement report or other document respecting the affairs of the Bank shall, unless it amounts to a higher offence, be a misdemeanor and any and every President, Vice-President, Director, Principal Partner *en commandite*, Auditor, Manager, Cashier, or other officer of the Bank, preparing, signing, approving or concurring in such statement, return, report or document, or using the same with intent to deceive or mislead any party shall be held to have wilfully made such false statement, and shall be further responsible for all damages sustained by such party in consequence thereof."

I maintain that these words, "in any account, statement, report or other document," are generic terms, the word report occurring in the first instance in the 13th section of the same Act, and there specified as a monthly return to be made by the Bank to the Government. The 13th section commences thus: "Monthly returns shall be made by the "Bank *to the Government* in the following form," &c. It must be admitted as clear law that the making of any wilfully false statement in any document respecting any Bank must be a false or deceptive statement in some account, return, report or other document officially issued by them; and it becomes necessary therefore for the pleader in such a case as this not merely to say it is a return respecting the affairs of the Bank, but to show that it is a return made in compliance with the 13th section. Moreover there is no allegation that it is a return *by the Bank*. I say that it is absolutely necessary to consult section 13 and to describe it in the words of that section. In the present instance it is not alleged that the return was made by the Bank at all; there is no allegation of the statement having been made; there is no allegation that the return itself was ever made. It is clear law that the return is not a return until it is received by Government. It is not made, in the words of the Statute, until it is sent to the Government, and received by the Government.

His Honor—Is that a matter of allegation or a matter of proof?

Mr. Kerr—A matter of allegation. Moreover, this section 13 provides that the return "shall be made in the following form, and shall be made up within the first ten days of each month, and shall exhibit the condition of the bank on the last juridical day of the month preceding; and such monthly returns shall be signed by the president, or vice-president, or the director, (or if the bank be *en commandite*, the principal partner) then acting as president, and by the manager, cashier, or other principle officer of the bank." In this instance, this return is not shown, on the face of the indictment, to have been signed by the directors; there is no allegation of this return having been signed. If it were not signed there would be no offence—even if it were a wilfully

false statement and deceptive; and if it was kept in the bank, it could be no offence, inasmuch as it had never been made or published by any party, and there was no opportunity, therefore, afforded to the directors to mislead or deceive any person.

I will now cite authorities in support of my contention. In Archbold, on Criminal Law, 17 edit., page 51, it is laid down that—

"Every offence consists of certain acts done or omitted under certain circumstances; and in an indictment for the offence, it is not sufficient to charge defendant, generally, with having committed it, as that he stole the goods of J, or committed burglary in the house of J S, or the like; but all the facts and circumstances constituting the offence, must be specially set forth."

At page 52 we read that—

"Every fact or circumstance, which is a necessary ingredient in the offence, must be set forth in the indictment."

His Honor—How do you apply that?

Mr. Kerr—The return, in this case, should have been alleged to have been made to the Government. There is no allegation on the face of the indictment that it was made. The circumstantial detail is insufficient, according to this authority. There is no allegation that it was made, but it could not be a return unless it was made; and if it was made, then the jurisdiction would be at Ottawa. At page 52 of the same book, we find that "If any fact or circumstance, which is a necessary ingredient of the offence, be omitted in the indictment, such omission vitiates the indictment, and the defendant may avail himself of it by demurrer. Thus, in an indictment against a public officer for non-performance of a duty, without showing that he was such an officer as was bound by law to perform that particular duty."

At page 53 we are told that—

"Not only must the facts and circumstances which constitute the offence be stated, but they must be stated with such certainty and precision that the defendant may be enabled to judge whether they constitute an indictable offence or not, in order that he may demur or plead to the indictment accordingly—that he may be enabled to determine the species of offence they constitute in order that he may prepare his defence accordingly—that he may be enabled to plead a conviction or acquittal upon this indictment in bar of another prosecution for the same offence—and that there may be no doubt as to the judgment which should be given, if the defendant be convicted."

At page 60, Archbold deals with indictments for offences created by statute;—larceny, for instance, is an indictment created by statute, and he says:—

"The statute contains a definition of the offence; and the offence consists of commission or omission of certain acts under certain circumstances, and in some c with a particular intent. An indictment, therefore, for an offence against t statute must with certainty and precision charge the defendant to have committed or omitted the acts under the circumstances, and with the intent mentioned in the statute, and if any one of these ingredients in the offence be omitted the defendant may demur."

At page 62 he continues:—

"And pursuing the words of the statute is sufficient; unless indeed there are generic terms, in which case it is necessary to state the species, according to the truth

of the case. Where a statute (for instance) makes the maliciously killing of cattle a felony, it is not sufficient in an indictment on the statute to charge the defendant with killing cattle, generally, but the species of cattle, as horse, mare, gelding, cow, ox, heifer, &c., must be stated."

In this instance I maintain that it is requisite to declare that this was a Return made by the Bank to the Government; that was the species of Return; because a Return might be variously qualified; as a Return if made by one Bank to another, might be so styled; there might be different kinds of Returns. There is nothing to shew that this is a Return which was intended to be strictly true, and that a false statement consigned the parties to the punishment in question. It becomes necessary to refer to section 13 in order to discover the peculiar kind of return which is intended, by section 62, to be the subject of punishment, if false. I will now cite from Paley on convictions, where the subject is more elaborately treated. At page 213 he says:—

"The following is an example of the like rule, namely: that where the statute characterizes the class of offences prohibited by a general description, the particular overt acts must appear in the conviction, in order to ascertain their legal effect."

It is scarcely necessary for me to cite authorities, that a conviction must be based on the information, and that the information must contain all the allegations necessary for a conviction.

His Honor—You contend that the indictment cannot be more nor less than the conviction. Is that the application?

Mr. Kerr—It is, your Honor. At page 215, we read that—

"It has been observed that the description of the offence must at least be as particular as that used by the statute. But it has also been seen from the instances before noticed, that in many cases it must be more so; and several examples have been given that it is not enough to follow merely the words of the statute. It may, indeed, be collected as a general rule from the foregoing and following cases that, where an act in describing the offence makes use of general terms which embrace a variety of circumstances, it is not enough to follow in a conviction the words of the statute, but it is necessary to state what particular fact prohibited has been committed?"

At page 217, Willes J. says:—

"In summary convictions the *charge* must be precisely set out. *The evidence cannot go further than the charge.* You should have alleged the fact in the information in the same manner as you would have in the evidence." "It is not true," Mr. J. Buller says, 'That in framing a conviction it is sufficient to follow the words of the statute in all cases. In some, indeed, it may, as where the statute gives a particular description of the offence; but it is otherwise where a particular offence is included under a general description.' Where a particular act constitutes the offence, it may be enough to describe it in the words of the legislature: but where the legislature speaks in general terms, the conviction must state what act in particular was done by the party offending to enable him to meet the charge."

I would also cite, in support of this, the general practice followed with respect to cases of forgery. It is sufficient to allege that the defendant did forge the promissory note for the payment of money: it is necessary to describe it, to show that it is for money, to show, in the description, the actual purport. The section of our statute which provides that when it is necessary to set out a written document in an indictment it may be described by the name it is generally known by or by its purport, does not apply to this present indictment, because these

monthly returns of the Bank are known as *Monthly returns to the Government*, not merely "*returns*."

His Honour—You hold, then, that the popular sense of the word "return" would mean nothing here.

Mr. Kerr—Yes; and I maintain that, in order to discover what species of return is meant, you must take the description of the return as given in section 13, and describe the particular return by the words of that section. Of late years we have departed from the strict pleading required, but I trust we shall not further degenerate. Indictments should state the facts so as to put the party *au fait* with the particular offence with which he is charged.

His Honor—The Legislature are somewhat responsible for that. Our laws respecting the framing of indictments have, no doubt, brought about much brevity.

Mr. Kerr—The Legislature does not encourage obscurity.

His Honor—No; but we get into a great degree of obscurity sometimes in our endeavours to be brief.

Mr. Kerr—But brevity is the soul of wit, and I fancy that a cloud of words does not make anything clearer. There is another point in this case.* There is no allegation whatsoever in the indictment that the Consolidated Bank of Canada is a bank to which the Banking Act, 34 Vic., chap. 5, applies. This is the second point. The 34 Vic., chap. 5, applies merely, on its face, to the charters or acts of incorporation of the several banks enumerated in the schedule to that Act, including any amendments now in force, and the first section, enacts that these charters or acts of incorporation are continued until the 1st of July, 1871, and from and after that day the said charters are continued, subject to the provisions of this Act until the end of the next session of Parliament: and from and after the end of such session, this Act shall form and be the charters of the said banks respectively, until the 1st day of July, 1881, and the provisions thereof shall apply to each of them respectively, and their present charters shall be repealed,—except only, as to the matters for which the said charters are above continued until the day last aforesaid. The second section enacts, that—

"The provisions of this Act shall apply to any Bank to be hereafter incorporated (which expression in this Act includes any Bank incorporated by any Act passed in the present Session or in any future Session of the Parliament of Canada), whether this Act is specially mentioned in its Act of incorporation, as well as to all Banks whose charters are hereby continued, but not to any other, unless extended to it under the special provisions hereinafter made."

Your Honor will observe that this Act does not apply to the whole of the Banks in existence at the time of its passing; it merely applies to those which are mentioned in the schedule, and to those which might thereafter be incorporated. On looking over the schedule, the Consolidated Bank does not appear as one of the Banks.

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* Note.—It will be observed that, up to this point, the learned Counsel's argumen attacks the indictment as defective in not specifying the Return, alleged to contain the false statement, and in not identifying that Return with the particular species of returns or documents co templated by the Banking Acts; and, therefore, the argument, so far, bea s principally upon and supports the 4th and 5th reasons of the Demurrer and Motion to quash, namely: *Because there is no allegation that the return was a return to Government*; and, *Because it is not shown that the return was published, or made known to the public.*

Now, it is not alleged in the indictment that the Consolidated Bank was incorporated after the passing of the Banking Act. There is nothing in the indictment to show that the Consolidated Bank was not in existence at the time of the passing of the Act, it may, for naught to the contrary appearing in the indictment, have been incorporated before then, and have been thus a Bank to which that Act does not apply. The fact of the Bank being incorporated since the passing of the Banking Act would have to be matter of allegation; for you cannot take cognizance of anything that is not alleged. I maintain, therefore, that the offence of making a false or deceptive statement in a return of a Bank only applies to the return of a Bank to which the provisions of this particular act apply; and secondly, that it is an offence, *sub modo;* because if a Bank, in respect of which the return contained a false or deceptive statement, was not one to which the provisions of this act applied, there would be no offence.

His Honor—I admit that this is an offence *sub modo;* but I do not see that it is requisite to show that the Bank was incorporated since the Banking Act, if that fact should be established by proof.

Mr. Kerr—I maintain that there ought to have been an allegation in the indictment to the effect that the Consolidated Bank of Canada was a Bank subject to the provisions of the Banking Act, inasmuch as it might be a Bank in existence at the time and therefore one to which the provisions of that Act did not apply, for the simple reason of its not being included among the banks in the schedule to that Act. As a matter of fact the Consolidated Bank was incorporated after the passing of the Banking Act, and in its Act of Incorporation there is a clause to the effect that the Banking Act shall apply to that Bank. I do not wish to mislead the Court as to this fact, but I say that it was absolutely necessary to show on the face of the indictment that this Bank did come under the operation of the law in question, this Bank not being mentioned in the schedule to the original Banking Act.

His Honor—Then you contend that this is not a matter of proof.

Mr. Kerr—It is not a matter of proof. I will take another ground so as to show the looseness of this indictment. It is not even alleged that this Bank is an incorporated Bank: it is not alleged that it had a charter. Are we to throw aside all these things—all these requisites? And are we to have a piece of paper, as it were, thrown at a man's head, and say, "I will prove you guilty, and I am not obliged to inform you "of what you are guilty until I have found you guilty?" You cannot prove more than you have alleged; and I contend that this indictment cannot hold water. This act applies only to such of the Banks then existing as were mentioned in the schedule, and to Banks coming into existence since. Now I have established, moreover, that it applies only to chartered or incorporated Banks; and there is no allegation that this Bank is chartered or incorporated, or subject to the Banking Act in any way. I maintain, further, that the offence under consideration is an offence *sub modo*, and that the allegation of the offence should be framed in such a manner as to bring these gentlemen clearly and directly within the meaning of the Act and within the meaning in particular of the second section. For, where a private individual or a partnership carries on the business of Banking, and they make a return in which there is a

false or deceptive statement, that would not be a misdemeanor under this Act, the offence being an offence only *sub modo*. On this point I refer you to Paley on Convictions who says at page 232 :

"Where the enacting clause of a statute constitutes an act to be an offence only *sub modo*, the particular exceptions must be expressly specified and negatived ; but where a statute constitutes an act to be an offence generally, and in a subsequent clause makes a proviso or exception in favor of particular cases, or in the same clause but not in the enacting part of it, by words of reference or otherwise, there the proviso is matter of defence or excuse, which need not be noticed in the information or conviction."

This statute expressly says that only certain incorporated banks shall be subject to the provisions of this Act ; consequently that may be looked upon as the enacting clause constituting the offence. PALEY at page 232 goes on to say that :—

"It is immaterial whether the exception be in another section or in another Act of Parliament, if distinctly referred to and engrafted into the enacting clause. This is apparent from the following cases." And then he cites certain cases : "In the case of R. vs. Hill, (I am quoting now from page 236), it is the very point established and settled that the general averment is not sufficient, and that it must be averred that the defendant had not the qualifications mentioned in the statute."

In this present instance there is no general averment at all. The special qualification that this Bank was not excluded, is neither generally averred, nor specially averred ; and therefore the above case, and all the cases cited, upon the same point, at pages 234-5 apply with redoubled force. At page 237 appear the following words, used by Lord Mansfield :

"This will not do ; the defendant can be convicted *only of the charge in the information;* and that must be sufficient to support the conviction." And Mr. J. Ashurst says, "the evidence must *prove* but cannot *supply* any defects in the information."

I merely cite these to show that these objections are not merely formal objections, but substantial. I will cite one case which has already received the approbation of yourself and the other judges—

HIS HONOR—(interrupting)—The conviction cannot go beyond the indictment. I admit that.

Mr. KERR—And you are bound to restrict the evidence to what is alleged in the indictment. It is necessary to negative any exception, and then it is for the defendant to prove that he comes within that exception, if he relies on that as his defence. Everything constituting the offence must be alleged, and anything that might be an excuse should be negatived in the indictment. Absence from a master's service may be excusable or justifiable—the unlawfulness must be shewn by stating that it was without valid excuse, and an indictment was quashed because it merely stated that the defendant absented himself from his master's service. In this instance, if this bank was not an incorporated bank, the charge is quite consistent with the innocence of the defendant, the onus, therefore, is on the prosecution to negative his innocence.

I dare say great stress will be laid, by the prosecution, on the case of Cotté. In that case, there was a motion to quash, and Judge Ramsay reserved some points, five of which were adjudged upon. The first point was this :—"Whether the indictment is defective, and ought to be quashed and set aside, as it does not allege or show that the statement

or return, therein referred to, was a statement or return which, by the requirements of the law, he was bound to make." That is not our contention. The second point was:—"Whether the said indictment is also defective, inasmuch as it omits to allege or show that any use was made of the statement or return referred to." That is not our contention. Thirdly, "whether the indictment is also defective, as it contains no negative averment with reference to either of the items mentioned, to show in what respect they were false." Neither is that our contention. Fourthly, "whether the indictment is also defective and null and void, and should have been quashed for the reason assigned by defendant's consel, at the time of the trial and before the jury were sworn, viz: that it does not charge any offence in the terms of the statute by omitting the words 'with intent to deceive or mislead,' which intent is an essential ingredient of the offence and being so described by the statute, should have been averred in the indictment." That is not our contention. Fifthly, "Whether the application of the defendant's counsel, after the jury were sworn, that the Crown prosecutor do elect which of the numerous accounts, or enumeration of alleged false statements, set forth in the indictment he intended to rely on, were well founded and should have been granted.

These were the five points adjudicated upon by the Court of Appeals in the case of Cotté; but these are not our contentions; the judgment in Cotte's case, therefore, is not applicable to the present case and cannot be cited as an authority; consequently there has been no judgment of a Court given on the points now raised and these points are of the greatest importance.

His Honor—Then, as to these several misdemeanours being put into one count. What about that?

Mr. Kerr—There has only been one case in England in which the prosecution was brought against a Secretary, but they did allege there the mode in which the deceptive statement was made. I am not inclined to insist upon that point.

Mr. MacMaster—May it please your Honor, I may mention a point or two and cite an authority which goes to confirm our position with regard to the first point,—that the indictment is defective is not alleging the commission of the offence. Unless an offence punishable by law is disclosed by the indictment the defendants are not bound to plead to the merits. The indictment is defective, and we must first investigate whether there is any legal charge whatever. A remark has dropped to the effect that pleadings in criminal matters had been simplified by recent legislation. In the present instance there is no general form of indictment which could be framed, and when we come to frame an indictment, we must take up the provisions of every section of the Banking Acts, and see that the indictment is drawn in such a form as to disclose an offence. By section 62 of the Banking Act, it is enacted that if any false statement be made in a return concerning the affairs of a Bank the making of such false statement shall be a misdemeanour, and as such it is punishable; but the terms of the section are only explicit and capable of distinction by the aid of the other provisions of the statute. Without the aid of the other sections of the Banking Act, the term "Return"

would have no signification whatever; in a popular sense it would have none. The prosecution should shew that the word "Return" is such a word as, taken in connection with the alleged crime, constitutes an offence by statute. The 13th section of the act specifies the monthly returns made by the Bank. It enacts that, "Monthly returns shall be made by the Bank in the following form." There is no particular species of return stated in the indictment. If the defendants are to be called upon to answer the indictment they are entitled to know what sort of return, and whether a return to some authority or to some person is required to be made by statute. The indictment should state that this was a monthly return made by the Bank to the Government of the Dominion of Canada.

His Honor—I see that argument.

Mr. Macmaster—Then again, your Honor will observe that this 13th section, giving the form of the return, was amended by the statute 35 Vict., chapter 43, section 1 of which changes the form, but in it we have a reiteration of the three essentials—here we have them all preserved,—namely: that it shall be (1) a monthly return; (2) a monthly return to the Government; and (3) a monthly return to the Government by a bank; none of which are disclosed by the indictment in this case. I will only cite two authorities from Archbold's Criminal Pleading, 17th edition—namely, pages 52 and 63. Page 52 has been already cited by my learned friend, Mr. Kerr, but 63 was not. At page 52 we read that—

"If any fact or circumstance, which is a necessary ingredient of the offence, be omitted in the indictment, such omission vitiates the indictment, and the defendant may avail himself of it by demurrer."

And, at page 63, we find that—

"If all the ingredients of the offence, whether it be an offence at common law (or one created by a statute), be not set forth in the indictment, or if any of them be not stated with sufficient certainty, the defendant may demur, move an arrest of judgment, or bring a writ of error."

The last citation gives the right to demur, or move in arrest of judgment, if the offence be not stated with precision; and the other, if the circumstances are not set out.

Mr. Ritchie, on behalf of the prosecution—My learned friend, Mr. Kerr, says that the defendants are excessively anxious to proceed, and that they are perfectly ready to meet the indictment. If they are so eager to meet the charge, all I can say, is, that they have taken a very singular way of shewing their willingness and readiness. Mr. Kerr has abandoned one of the reasons—one of them has been abandoned entirely. The case of Cotté disposes of all these objections, and I shall take up very little time.

Mr. Macmaster—The first point raised by Mr. Kerr, was not raised in Cotté's case.

Mr. Ritchie—The present indictment is framed upon and follows Cotté's in exact terms, and Cotté's case was carried to the Court of Appeals on the Banking Act of 1871, which, by its 62nd section, provides in general terms, that—

"The making of any wilfully false or deceptive statement in any account,

statement, report or other document respecting the affairs of the bank, shall be a misdemeanour.

That creates all the offence that can be committed by persons concerned in the offence. Under that clause this indictment has been framed; it follows the exact wording of the Act, and stood the test in the Court of Appeals. The indictment, after describing the defendants, alleges that on the date therein mentioned they "did unlawfully and wilfully make a certain wilfully false and deceptive statement in a certain return partly written and partly printed respecting the affairs of the said Bank;"—and then the particular items alleged as false are set forth; in fact a bill of particulars has been incorporated in the indictment, although not absolutely necessary. The principal argument of my learned friend is, that we ought to have pointed out what sort of return was meant. The precise point was raised in the case of Cotté, in other words. "You do not show that this is a monthly return to be made to Government." In the case of Cotté, this point was raised in effect but not in the same words. In the Cotté case the objection is in more general terms, more comprehensive; and still the Judges—your Honor being one of them—held that the indictment was good on that point. All the authorities set up by Mr. Kerr, were applicable under a previous system of criminal pleading and had great force; but, now, all these technicalities have been swept away by recent legislation, which declares that if the terms of the statute are followed, and if the prisoner can see what the offence is intended to be, the indictment is good. For instance, in a case of forgery referred to in Archbold, 16th edit., p. 539, the indictment merely mentioned the document forged, as a certain warrant for payment of money, without giving the date or stating the amount or anything else. My learned friend was unfortunate in citing the requisites of an indictment for forgery. This point has been before the Court of Appeals and this Court; and the ruling has been that, unless the presiding judge has been misled, the indictment shall be held good by following the terms of the statute. By 32 and 33 Victoria, chap. 29, section 27, it is enacted that—

"The forms of indictment contained in the schedule A to this Act may be used' and shall be sufficient as respects the several offences to which they respectively relate; and as respects offences not mentioned in the schedule the said forms shall serve as a guide to show the manner in which the offences are to be charged, so as to avoid surplusage and verbiage, and the averment of matters not necessary to be proved, and the indictment shall be good if, in the opinion of the Court, the prisoner will sustain no injury from its being held to be so, and the offence or offences intended to be charged by it can be understood from it."

Mr. Kerr has said the return in question might be a return furnished from one Bank to another. Suppose it were, the indictment would still be good under the Banking Act; it would be good whether it is a return to be made to Government or from one Bank to another if it were a wilfully false or deceptive statement. It is not necessary to point out that the return is one to be made by law, or that it is a monthly return to be made to Government. The decision in the Court of Appeals covers this Then as to the other objection, that there is no allegation that the Consolidated Ba[illegible]s one of the Banks to which the Banking Act applies.

Mr. Kerr does not see that this is identical with the objection taken in Cotté's case: "Because it is not shown that the Banque Jacques Cartier was duly incorporated and subject to the provisions of the law relating to Banks and Banking." Judge Ramsay refused to allow that objection in Cotté's case. Mr. Kerr urged that it is not shown on the face of the indictment that the Consolidated Bank comes under the operation of the Banking Acts and that it was necessary to show this, because the Consolidated Bank might have been incorporated previously to the original Banking Act of 1871. Now, if the Consolidated Bank had been mentioned in the schedule to that Act it would have been no more necessary to be stated in the indictment than in Cotté's case. The Consolidated Bank of Canada was incorporated by the 39 Vict. Chap. 44 section 9 of which enacts that all the provisions and the amendments of the Banking Act shall apply to the Consolidated Bank of Canada in the same manner as if the same were expressly incorporated in this Act. Here, therefore, is an express provision in the Act of Incorporation of the Consolidated Bank of Canada, that the Banking Acts shall apply to that Bank as if expressly mentioned in the Banking Act and its amendments. In 1871 Parliament by the Banking Act repealed the charters of the Banks in existence, and substituted that Act as a general charter for all Banks. Therefore all the Banks in Canada have a new charter with a few exceptions. The Banque Jacques Cartier has this new charter, and the Consolidated Bank of Canada has this new charter. If it was not necessary in the case of Cotté to state that the Banque Jacques Cartier was subject to the provisions of the Banking Act, it is not necessary in this case to state that the Consolidated Bank is subject to those provisions.

Mr. Wotherspoon—The learned counsel for the prosecution has cast a slur upon the defence. The fact, however, that the indictment in Cottè's case was sustained, does not make an absolute precedent to bind us in this case. I would again draw the attention of the Court to the act relating to Criminal Procedure, 32 and 33 Vic., c. 29. Section 27 of that act is an enactment to assist the Court to come to a decision as to the sufficiency of the indictment. A point was taken by the prosecution, that the indictment would be good even if the return were a return made to another bank. The section of the act creating the offence must be taken in connection with the other sections of the Banking Act. Section 13 defines the use of the term and limits it; and, therefore, in describing the offence alleged to be committed, it must be described in technical terms, to indicate it as a return defined by section 13, which limits the use of the term throughout the whole Act. The prosecution by admitting that the term used in the indictment would refer to a statement made to another bank, have thereby admitted that the term so used in the indictment is a general term. After referring to the practice in England with the returns made by a railway company to Government, which returns are required to be defined in particular terms. Mr. Wotherspoon complained of the manner in which the prosecution had chosen to asperse the motives of the defendants in putting forward these technical pleas, which had been advised by their counsel, who thought fit to take this course in the interest of their clients.

HIS HONOR—When persons are brought before a court of justice, they are justified in taking every means of defending themselves, technical or otherwise.

HIS HONOR reserved judgment on the demurrer and motion to quash until the following Monday.

THE LEGAL OBJECTIONS.

Mr. Justice MONK *overrules them on the* 13*th October*

HIS HONOUR rendered judgment on the motion to quash the indictment in the case as follows: The questions which have been presented for the consideration of the Court arise on two motions to quash and two demurrers to indictments against the accused. The objections urged by the defence in these several proceedings are identical, and the decision of the Court in regard to one disposes of the other three. I may remark also that the two indictments are the same in form, setting forth the same description of offences committed, the one on the 9th January, 1879, and the other on the 6th February, 1879. The defendants are there charged with having unlawfully and wilfully made at these dates respectively, certain wilful, false and deceptive returns respecting the affairs of the Consolidated Bank of Canada, they then being, one the General Manager and the others, directors of of the aforesaid Bank, and these wilful and false statements are alleged to exist in certain material particulars which are therein set forth in detail. As before remarked, the motions to quash and the demurrers involve similar grounds of objection, and it is urged against the indictments that they should be declared and adjudged insufficient in law. 1st. "Because there is no allegation therein of the said offence therein set out having been committed in the district of Montreal." This ground was abandoned by the defendants' counsel at the argument, and as a matter of law and legal procedure it could not prove successful on a motion to quash or on demurrer. The point is too clear under the statute to admit of doubt or discussion. 2nd. "Because it does not appear in the said indictment that the said Act, or any Act of the Dominion of Canada, applies to the Consolidated Bank of Canada." This objection was argued at great length, and urged with considerable ingenuity by the counsel for the defence. But in regard to these pretensions, it might, perhaps, be sufficient for me to refer to the case of Cotte, in which one of the points raised on motion to quash reads as follows: "Because it is not shown, as set forth in the said indictment, that the Bank therein referred to as La Banque Jacques Cartier, of which, it is alleged, the said Honore Cotte was Cashier, was a duly incorporated banking institution, doing business within the Dominion of Canada, and subject to the provisions of law, relating to banks and banking." A learned Judge of this Court refused to reserve the question thus submitted for his decision, and held that this omission in the indictment was not fatal. In that opinion I

entirely concur, and in any case, even if that view of the law was not so clear to my mind, I would hesitate in the face of such a ruling before dissenting from that decision on the present occasion. But as this point was not submitted to the Court of Appeals upon the reserved case, and as the Consolidated Bank of Canada is not to be found in the schedule to the Banking Act 34 Vic. Cap. 5, it is, perhaps, due to the argument of Counsel that I should, in a few words, assign my reasons why the above decision in the Cotté case applies to the one under consideration, and must be upheld and adhered to in this instance, although there is a slight difference between the two banks in regard to the dates of their incorporation—the one being in existence at the time of the Banking Act, and the other incorporated by a statute subsequent to that Act. If I clearly understand the objection, it amounts to this: The Consolidated Bank of Canada not being in existence when the Banking Act was passed, and therefore, not being referred to in the schedule to that Statute, its subsequent incorporation and the application of Dominion Banking Law to that institution should have been alleged in the indictment. At first sight, and upon a restricted view of the law, there is, no doubt, something plausible about this argument, but I confess myself, after careful consideration, unable to see how it can be successfully urged against the sufficiency of this indictment. Bearing in mind, therefore, the precise point raised by the defendant's counsel, viz.: If the Consolidated Bank of Canada was in existence when the 34 Vic. Cap. 5, was enacted, that Act does not apply to it, because not mentioned in the Schedule, and as it was incorporated five years afterwards by the Act 39 Vic., Cap. 4, this subsequent charter should have been alleged in the indictment, in order to show that it came under the operation of the Act 34 Vic., Cap. 5. In order to mark the relation of these two statutes, the one to the other, it is necessary to refer to them a little more in detail. By the first clause of the Banking Act it is enacted in substance as follows: The Charters or Acts of Incorporation of the general banks enumerated in the schedule to that Act are continued, subject to the provisions of that Act until 1st July, 1881, and the provisions of that statute shall apply to each of them respectively, and their then present charters were repealed, except only as to the matters for which the said charters are as therein above continued until the day last aforesaid. In the section 2 of that Act will be found the following words:—"The provisions of this Act shall apply to any bank to be hereafter incorporated, (which expression in this Act includes any bank incorporated by any Act passed in the present Session, or in any future Session of the Parliament of Canada) whether this Act is specially mentioned in its Acts of Incorporation or not, as well as to all banks whose charters are hereby continued; but not to any other, unless extended to it under the special provisions hereinafter made." Section 13 of the same Act provides that "Monthly returns shall be made by the bank to the Governmen in the following form, and shall be made up within the first ten days of each month, and shall exhibit the condition of the bank on the last juridical day of the month preceding, and such monthly returns shall be signed by the president, or vice-president, or the directors (or, if the bank be *en commandite*, the principal partner) then acting as president, and by the manager, cashier, or other principal officer of the

bank, at its chief seat of business." Section 62 of the same Act, 34 Vic., Cap. 8, enacts that "The making of any wilfully false or deceptive statement in any account, statement, return, report, or other document respecting the affairs of the bank shall, unless it amounts to a higher offence be a misdemeanour, and any and every president, vice-president, director principal partner, *en commandite*, auditor, manager, cashier, or other officer of the bank preparing, signing, approving or concurring in such statement, return, report or document, or issuing the same with intent to deceive or mislead any party, shall be held to have wilfully made such false statement, and shall further be responsible for all damages sustained by such party in consequence thereof." By the 13th clause the law imposes on the banks the duty of making monthly returns to the Government; and the 62nd clause speaks of any wilfully false or deceptive statement in account, statement, return, report or other document respecting the affairs of the Bank, and it further declares that any president, vice-president, director, auditor, manager, cashier, or other officers of the bank preparing, signing, approving or concurring in such statement, return, report or document, shall be held to have wilfully made such false statement. It must be admitted that this clause embraces a great number and variety of cases regarded as wilful and false in business transactions. It undoubtedly is extremely stringent and comprehensive, and is calculated in the highest degree to stimulate the activity and vigilance of every one connected with the management of those important institutions. It goes far beyond the monthly returns which banks are obliged by the Act to make to the Government; but such is the law and we have to take it as we find it and administer it as best we can. Its bearing on this case will appear in the sequel of these remarks. Now let us ascertain whether this Act 34 Vic., cap. 5, with this and other provisions applies to the Consolidated Bank of Canada. Section 9 of the Act of Incorporation of this "Consolidated Bank" 39 Vic., cap. 44, enacts that "The Act of the Parliament of Canada, passed the thirty-fourth year of Her Majesty's reign, chapter five, intituled 'An Act relating to Banks and Banking,' and all the provisions thereof, and the amendments thereof, shall apply to the 'Consolidated Bank of Canada,' in the same manner as if the same were expressly incorporated in this Act, except in so far as such provisions relate specially to banks in existence before the passing thereof, or to banks *en commandite*, or are inconsistent with this Act," and it is then declared to be a public act. Here we have an express clause of a public act declaring that the Banking Act, 34 Vic. Cap. 5 shall apply to the Consolidated Bank. The Court is bound to know this provision of the law. I am obliged to recognize and act upon it without allegation in legal proceedings and without proof other than that furnished by the law itself. What necessity for alleging the fact in the indictment? What object would be attained in a prosecution like the present, by inserting such an allegation therein? I have none—I know of none—in the opinion of the Court such an averment would be simply useless, and, therefore, this ground of demurrer must be overruled. We come now to the third reason for demurring to this indictment, and it is as follows: Thirdly—Because each of the false statements alleged in the said return is, if false, as alleged, a misdemeanor of itself, and each such misde-

meanor should be the subject of one count, whereas there are over six misdemeanors alleged in the sole count contained in the said indictment. This ground, I believe, was abandoned at the argument; but, in any case, this point was disposed of by the Court of Appeal in the Cotté case; the Court holding that the indictment, which was in form precisely the same as the one under consideration, did not charge the defendant with several offences or with one offence in different counts, but contains only one count, charging the defendant with only one offence—that is, of having unlawfully and wilfully made a certain wilfully false and deceptive statement in a return respecting the affairs of the Bank, which statement, it is averred, was false in several particulars, the whole forming but one offence, as the several particulars in which the statement was false and deceptive were included in the same return, and formed but one and the same transaction. This pretension, therefore, cannot be sustained. The "4th" and "5th" reasons are as follows; viz.,—"Fourthly."—Because it is not therein alleged that the return, which is said to contain false statements, was a return to the Government of the Dominion of Canada. "Fifthly."—Because it is not therein alleged that the said return was ever published or made known to the public. The law does not distinguish between returns imposed as obligatory by the Act and other returns, and where the law does not, the Court will not—cannot distinguish. Besides, these points were disposed of by the Court of Appeals in the Cotté case, and in that judgment I concurred. The wording of that indictment, as before remarked, was the very same as in these, and it was held that these allegations were not necessary. The offence consists in the making any wilfully false or deceptive statement in any account, return, report or other document respecting the affairs of the bank. The indictment is in the very terms of the statute, and no more is required in this instance. Besides, the return must be wilfully false and deceptive,—the nature of that return will speak for itself when produced and legally proved. Till then, and owing to the comprehensive language of the statute, the Court is of opinion that these averments were not necessary, and consequently that the opinion of them is not fatal. The reason that it is not alleged in the indictment that the defendants were directors and officers of a bank to which the Banking Acts of the Dominion of Canada apply, has already been considered and disposed of. The necessity of negative averments in the indictment was also mentioned in the argument. The counsel are aware of the holding of the Court of Appeals as to such allegations in the case so often referred to above. The authorities cited by Mr. Kerr, from Archbold and Paley, in my opinion, do not apply to the case under consideration, and the inconvenience and even inexpediency, in view of an effective administration of justice in cases like the present, of attempting to point out, before the adduction of evidence, in what particulars such statements are false and deceptive, must be obvious to every one familiar with the incidents of this kind of prosecution. The statutes I have quoted and referred to are public acts. They are precise, formal and peremptory in their provisions; and I am of opinion that the jurisprudence of this Court fully justifies the application of them, which the Court feels called upon to make in these cases. The motions and demurrers are consequently dismissed.

Mr. KERR moved, as a matter of form, that his Honor would be kind enough to reserve the points for the Court of Appeals, and to enter the motion on the record. It was merely a matter of opinion.

HIS HONOR admitted it was a matter of opinion. The Court would enter the motion, but he declined to make any reservation.

In answer to the usual question put by the Clerk,

Mr. KERR said they pleaded "not guilty." In asking to reserve the question for the Queen's Bench, he meant, of course, on both the motion and the demurrer. He would at the same time move for a separate trial.

Mr. RITCHIE said it had not been allowed in cases of misdemeanour; he had no objection, however.

Mr. KERR—I suppose my learned friend will consent to an English speaking jury? We are ready for trial immediately.

HIS HONOR said they were desirous that the trial should close this week; if they could begin on Wednesday, this might be done.

Mr. RITCHIE—I think Thursday would be the earliest day on which we could proceed. I intend to take up the case against Sir Francis Hincks first.

SIR FRANCIS HINCKS ON HIS TRIAL.

FIRST DAY.

COURT OF QUEEN'S BENCH, CROWN SIDE.

Present : His Honour Mr. Justice Monk.

Montreal, October 16th, 1879.

The following Counsel appeared :—For the prosecution, Mr. Ritchie, Q.C., Mr. Archambault, Q.C., and Mr. T. P. Butler, Advocate. For the defence :—Mr. Kerr, Q.C., and Hon. J. J. Abbott, Q.C., appeared for Sir Francis Hincks; Messrs. Wurtele, Q.C., Wotherspoon, and Macmaster watching the case for the other directors of the Bank, all of whom were present in Court.

The case of the Queen vs. Sir Francis Hincks being called, on motion of Mr. Ritchie,

Mr. Kerr, Q.C.—I must ask my learned friend for an English jury.

Mr. Archambault, Q.C.—I cannot consent to that. The panel must be called in regular order.

Mr. Kerr—You cannot do that, as we have a right to six English jurors.

Mr. Archambault—Oh! certainly, you can have that.

Mr. Kerr—We prefer to be tried by our own countrymen.

Mr. Archambault—We are mostly all Canadians here, Mr. Kerr. (Laughter.)

The names of the following witnesses were then called :—Sir L. Tilley, Messrs. J. M. Courtney, W. J. Buchanan, George Hague, F. L. Burnett, C. H. Wethay, M. S. Lonergan, Wm. B. Morgan, W. C. Pridham, Arch. Campbell, John Rankin, E. L. Bond, R. Moat, H. Beattie, Rd. R. Grindley.

After considerable challenging on both sides, the following gentlemen were empanelled as the jury :—Michael Mellon, James S. Noad, Charles Gratton, Flavien Hardy, George Maybank, David Millar, James D. Scott, Richard Boyce, John S. Cartney, Richard Lamb, Thomas Irving and James Callaghan.

In opening the case for the prosecution, Mr. Ritchie said this was the second case of the kind brought before the Courts in the history of Banking in this country. The charge against Sir Francis Hincks was for an offence made by law a misdemeanour, but one of a very grave and serious nature—namely, having furnished and sent to the Government a false and deceptive return respecting the affairs of the Consolidated Bank. The return of the amount of liabilities and assets of the Consolidated

Bank of Canada on the 31st day of January, 1879, showed the total liabilities to be $5,922,330.83, and the total assets, $9,668,222.65. Prior to May, 1876, there were two banks carrying on business in Canada, one was the old City Bank, which had been established in 1834, an institution almost coeval with the history of banking in Montreal, and, though somewhat slow, still a very safe, steady-going bank; and another bank, the Royal Canadian, carrying on business at Toronto, having numerous agencies. The City Bank was, perhaps, not a very strong bank, but it had never been obliged to close its doors, though on one occasion its capital had been reduced. The Royal Canadian Bank had not been so fortunate, having, in 1869, been obliged to suspend payment. These banks amalgamated to form a strong bank, under the name of the Consolidated Bank of Canada, and this amalgamation was ratified by an Act of Parliament, and went into operation, dating from the 10th May, 1876. The new Bank had a capital stock of $4,000,000, and commenced business under the most favourable auspices. The first President of the Bank was Sir Francis Hincks, a man long known in the history of this country, of the highest standing and of well-known financial ability, and ability of every description, no one being supposed to be an abler financier than he in the commercial world. He was paid as an officer of the bank to attend to its affairs. There were also other gentlemen of great prominence connected with the working of this institution, and all were confident of the great success which would attend it. Everything seemed fair until last April, when affairs took a downward tendency, the Bank being obliged to apply to Parliament for authority to reduce its capital; and, in fact, its nominal capital was reduced to $2,400,000. Its subscribed capital was $3,500,000, almost all paid up. Instead of this measure saving the bank, things went from bad to worse. Though the outside world knew but little of this, deposits continued to disappear, there being a steady run on the institution, which compelled it, on the 1st of August, to close its doors, since which time it has not resumed payment. In 1871, Parliament passed a Banking Act, which was applicable to banks then existing and to those started after that date. By section 13 of this Act, the obligation was imposed upon every bank to furnish monthly returns to the Government, within ten days after the expiration of the last day of the month, showing the true liabilities and assets. Section 62 provides that should such returns be false or likely to mislead the public, the President and officers should be considered guilty of a misdemeanour, and be punished accordingly. Such returns were to be signed by the President or other officers of the bank at its chief place of business. In 1873 a change was made by Parliament as to these returns. The object of Parliament in requiring these returns to be made, and in amending the Act of 1871, was that all information necessary should be furnished in order to enable the Government and the public to judge of the condition of a bank. The first item required to be given to the public was the capital, and that very properly, as the shareholders incurred double liability; and next the law requires that all the liabilities of the bank should be stated under the following heads:—1. Notes in circulation; 2. Dominion Government deposits payable on demand; 3. Dominion Government deposits payable after notice; 4. Provincial Government deposits payable on demand;

5. Provincial Government deposits payable after notice; 6. Other deposits payable on demand; 7. Other deposits payable after notice; 8. Due to other banks in Canada; 9. Due to agencies or other banks in foreign countries; 10. Due to agencies, &c., in the United Kingdom; 11. Liabilities not included under the foregoing heads. Then, on the other side, the assets of the bank were to be accurately stated, all, of course, for the information of the public, under the following heads: 1. Specie; 2. Dominion notes; 3. Notes of and cheques on other banks; 4. Balances due from other banks in Canada; 5. Balances due from other banks and agencies in foreign countries; 6. Balances due from banks and agencies in the United Kingdom; 7. Government debentures or stock; 8. Loans to Dominion Government; 9. Loans to Provincial Governments; 10. Loans, discounts, &c., for which shares of the capital stock of other banks are held as collateral; 11. Loans, discounts, or advances, for which bonds or debentures of municipal or other corporations, or public securities are held as collateral; 12. Loans, discounts, or advances on current account to corporations; 13. Notes and bills discounted and current; 14. Notes and bills discounted and overdue and not specially secured; 15. Overdue debts secured by mortgage, or by deposit of or lien on other stock, or by other securities; 16. Real estate other than bank premises, and mortgages on real estate sold by the bank; 17. Bank premises; 18. Assets not included under foregoing heads. This covered all the items of assets with one exception; that was the liabilities of Directors which was placed in a separate item, merely to indicate to the public what the liabilities of the directors were to the institution.

His Honour—What was the time of this law?

Mr. Ritchie—It is 36 Victoria, Chapter 43, passed in 1873. The intention of the Legislature, in passing this law, was, of course, to give security to the public. In September last, after the suspension of the bank, the directors called a meeting to see what could be done. The meeting was largely attended by the shareholders, and was of a very excited nature. Sir Francis Hincks presided at that meeting, and many explanations were made and statements submitted. From these explanations it was found that, as early as December, the Bank had been borrowing from other banks to the amount of $622,000. In the returns which were made by the President and Directors on the 6th February, 1879, said to cover the period up to the 31st January last past, there was no mention of what was due to other banks. Any of the jury accustomed to business could see at once that if at the end of one month a bank should return that it owed nothing to other banks in Canada, and that at the end of the next month a large amount should appear under that head, it was manifest that the position of the bank had been weakened to such an extent that it had to apply to other banks for assistance. That would have been a most important declaration to make in the return, because, instead of the Consolidated Bank appearing as it did appear, it would have shown that its securities had been pledged to other banks. Here was an endeavor to conceal this state of affairs; hence the indignation of the shareholders. This might be called a "danger item." In this statement it would appear that nothing was due to other banks. The three first items on the assets were, Specie, $311,460.85; Dominion

notes, $267,733.50; Notes and cheques of other banks, $263,838.99. Now, another fact elicited at the meeting was that from time to time, and for a number of months, it had been the custom of the officers of the bank to count under the head of "specie," and cash items, *bons* and demand notes which were worthless. The amount of the *bons* and demand notes were stated to be from $250,000 to $300,000—he could not tell the exact figures, as they had not had access to the books, and this prosecution had been made upon what was stated at that meeting. Another item alleged to be a misstatement was "Notes and bills discounted and current $7,250,149.45." The last item in the statement is given in the terms of the law, "Other assets not included under the foregoing heads;" but here again nothing was stated as to these assets, the amount being left in blank. If these *bons*, which were merely there to represent cash, had been stated in their proper place, that is, under the last item "Other assets not included under the foregoing heads," the public would have taken the alarm at once. These were the principal items which had been pointed out at the meeting as having been misstated. The Legislature in requiring these items did so under very stringent provisions, in the law. The 62nd section of the Banking Act says: "Wilfully making a false and deceptive statement shall, unless it amounts to a higher offence, be a misdemeanour." The section also declares that the officer signing such false statement shall be held to have made it wilfully, so that all that the prosecution had to do was to prove that Sir Francis Hincks was President of the Bank, and that he had signed such false statement. Large amounts had been borrowed from other banks which had not been shown in the return, and a large amount of *bons* appeared as cash which should not have appeared at all. He believed that it was an incorrect proverb that "figures could not lie." In conclusion he expressed a hope that if the jury had the slightest feeling prejudicial to the defendant they would lay it aside, as in no other way could they fulfil their duty. If the returns made on the 6th of February were true, then it was their duty to acquit, but if they were wilfully false, then it was their plain duty to bring in a verdict of guilty, no matter what the consequences should be to the defendant.

The first witness for the prosecution was

JOHN M. COURTNEY, who, being sworn, said:—I reside at Ottawa, and am Deputy Minister of Finance: I know the defendant, Sir Francis Hincks; I now produce the return made to the Government by the Consolidated Bank of Canada, which is dated on the 6th February last, and signed by Sir Francis Hincks and J. B. Renny. I know the handwriting of Sir Francis Hincks, and identify the signature as his.

The return was read to the jury, and was the statement showing the affairs of the bank on the 1st January last.

By MR. KERR—These bank returns come under my special supervision; have been ten years in the Finance Department. I came direct from England to take the position, and have had a great deal of experience, having been in banks in England and India.

MR. KERR—What do you consider should appear under the head of "Balances due to other banks in Canada?"

MR. RITCHIE—I object to the question: this is a question of law.

His Honour—Do not put the question so pointedly.

Mr. Kerr—Do you consider that the items "Balances due to other Banks" and "Balances due from other Banks" are contra items?

A. I have had no practice in preparing bank returns in Canada, and I should hardly like to say whether the two sides should be alike.

Mr. Kerr—You have seen a number of these returns?

The Witness—Yes.

Mr. Kerr—And in the case of loans by one bank to another, what has been the general practice?

Mr. Ritchie objected to the question as immaterial. If it were proved that all the other banks in Canada followed the same vicious course it would hardly justify the defendant. If a man were accused of larceny, it would not do to show that twenty other larcenies had been committed.

Mr. Kerr—I mean to show that if it has been the custom of other banks to place these items under the head "Balances due to other banks in Canada," and these have been received as such by the officers of the Crown, Sir Francis was merely following the usage followed by other banks. If I can show that it was done by other banks, it would show that his view was partaken of by other banks.

Question—Do balances due to other banks mean balances due and exigible?

Mr. Ritchie—This is not the time to go into that now. The witness may be recalled and examined with a view to elicit information on this point afterwards.

Mr. Kerr said the point which he wished to raise was in cases of loans of banks, what had been the general practice?

Mr. Ritchie objected, contending that it was illegal.

Mr. Kerr—I want to show what is really the meaning of the words "*due* to other banks."

His Honor—It is a question of evidence, not of opinion; I sustain the objection. The question may possibly be asked at a future stage of the case, but not at present.

The witness was directed to withdraw, it being understood that he might be recalled.

Archibald Campbell, Acting General Manager of the Consolidated Bank, sworn, said: I produce the books in use in January last, showing the assets, liabilities and balances to the credit of the other Banks. I produce the Minute Book recording the deliberations of the Board; also a general statement showing the position of the bank on 31st January 1879; a statement of the liabilities and assets of the Bank; the transactions with other Banks are in the book produced; the book produced shows the amount of specie. I cannot produce a book showing the number of depositors. To get the whole of the amounts payable on demand I would have to produce all the ledgers of the Bank.

The Witness was then ordered to produce the other books of the Bank at Montreal at two o'clock, to which hour the Court was then adjourned.

On the re-opening of the Court at two o'clock, the Witness produced the other books required, and his examination was continued:—

Francis Hincks was President of the Bank in January and February last. The specie held by the bank on the 31st January last, in all the branches, was $311,460.85; the specie held in Montreal was $196,876. The difference between these two amounts was $114,584.85 and was held by the branches. I know nothing personally as to the correctness of the statement. The two tellers, Messrs. Louson and Hughes, are in a position to know. I do not know the actual amount on hand in Montreal. The amount of Dominion notes held on the 31st January last, by the Bank was $267,733.50; the amount in the Montreal branch was $166,485; the amount held by the branches was $101,248.50. The notes of and cheques on other Banks, held in Montreal were $101,344.15. The total under this heading was $[illegible]38.99; the balance was held by the branches. I cannot say whether those statements were correct or not, as I was not here at all; could not say whether the *bons* or demand notes were included in the cash items or Dominion notes, and the books did not show. The bank borrowed $24,083.33 from the Bank of Commerce on the 24th October, 1878. There were two receipts of that amount with different numbers; the total was $48,166.66; the Accountant, Mr. Kinnell, will be able to tell what entry was made on the book, and whether that loan had been returned on the 31st January last. There was a further sum of $48,466.66 borrowed from the Bank of Commerce on the 12th November, 1878. The next entry was a loan of $25,000 from the Stadacona Bank on 2nd December, 1878; on the same day, from the same bank, another loan of $25,000; and on the same day another $25,000; making in all $75,000 from the Stadacona Bank. On the 28th December, 1878, there was a loan of $200,000 from the Bank of British North America, and on the 30th of the same month $200,000 more from the same Bank. On the 10th January, 1879, were borrowed from the Bank of Montreal $98,287.22; on the 22nd January, 1879, from the Bank of Montreal, a further $123,138.89; and on the 28th January, 1879, from the Bank of Montreal, $50,000. That is all I see entered as being received from any bank up to that date. I cannot say whether the *bons* which have been spoken of were charged to particular accounts and afterwards changed. Banks gave the money and we gave them deposit receipts, and sometimes collateral security. Cannot say what collateral security was given, nor whether the amount of notes discounted was reduced in the statement to the Government by this amount, or left as they were. Witness was at the office in Toronto at the time spoken of.

By Mr. KERR.—I saw the return furnished to Government in the book, but did not compare it with the books. I cannot say if the deposit receipts from the Bank of British North America showed if the $200,000 borrowed on the 28th December, and the $200,000 borrowed on the 30th December, were due on the 31st January, 1879. The original receipts are not here. The $98,287 borrowed on the 10th January, and the $123,138.89 borrowed on the 22nd January, became due on the 25th April, 1879; the $50,000 borrowed on the 28th January became due on 28th April, 1879. The deposit receipts were returned by the Bank of Montreal on repayment of the money. These deposit receipts were read to the jury. The deposit receipts in favour of the Stadacona Bank became due thirty

days after notice. There was nothing to show that notice had ever been given. The deposit receipts in favor of the Bank of Commerce amounting to $48,466.56, were not due on the 31st January, and not payable at any specified time. There was no evidence on any of these deposit receipts that they were due on the 31st January, 1879; the two first were payable without notice: they bore interest, one if allowed to remain four months unpaid, the other if allowed to remain three months. The original return of the Bank to the Deputy Minister of Finance agrees exactly with the entries in the book. Have the pass-books of the Bank in my possession, but have not examined them; the balances of the small pass-books of all the banks agree exactly with our books except in the sum of $615 in the Bank of Montreal balance. I mean the ledger from which the returns were made: it is not unusual to find discrepancies of this kind.

MR. KERR—Mr. Campbell, will you explain to the gentlemen of the jury how the returns of the bank are made?

Objected to and objection over-ruled.

MR. CAMPBELL—The totals were taken from the books and the returns made to the head office. Montreal was as much a branch of the bank as any other branch; the returns were made up to the 31st January. There were 18 branches and two sub-agencies on the 31st January, 1879. Hold in my hand the balance sheets of the different offices, —with the exception of Toronto and Chaboillez Square, of which I have the full returns—showing the state of affairs on that particular day. These were sent in to the head office to show how matters were progressing at the branches. These balance sheets would generally be received on the 3rd or 4th of the month. They are received by the manager at the head office, and handed to Mr. Pridham, the inspector, who had the figures transferred into the book produced—General Statement Book. Have not compared the balance sheets with the books of the bank.

The Court adjourned at 4·40 p.m.

SECOND DAY.

Friday, October 17.

ARCHIBALD CAMPBELL—Cross-examination continued by MR. KERR —The figures in the general balance book show a correct statement of the bank on the 31st January. The returns to the Government are taken from this book. Mr. Pridham was at that time Inspector of the bank, and Mr. Helm was accountant. I was at one time Inspector myself. These returns are ready on or about the 10th day of the succeeding month for signature. It is impossible for the President or any one man to verify the accuracy of these statements, as they are made up at different points. The President, I think, has to rely on the statements sent in by the branches. The chief accountant manages the details of the head office. The President, I think, looks to the General Manager

for the correctness of the returns, and the latter to his subordinates. All the Defendant could do would be to compare them with the branch books.

Re-examined by Mr. RITCHIE:—I cannot say that the general balance of the return of 31st January last, was in favour of the Consolidated Bank. The balance due to other banks in Canada, on the 31st January last, by the several pass-books, was $2,146.73, and due from other banks $3,752.30. The Dominion notes were $42,226. In the cash at Toronto everything was correct; there were no *bons* included in it. The legal tenders on 1st January last, at the Toronto branch, were $42,266, and the specie in the bank was $37,790. The returns on that day from other branches and agencies were merely balances. I have said that the President in signing the Government returns would have to depend on the officers of the bank, but there was not much probability of his not knowing about special loans; it was hardly possible that he should not know, if he attended to his duties. I do not know how the cash was counted at Montreal, not having been there.

Mr. RITCHIE—Would you not enter *bons* in the item "assets not included under foregoing heads" in the return 7?

WITNESS—I would include all proper documents in it.

Mr. RITCHIE (interrupting)—But we are speaking of improper documents.

Mr. KERR, objected as the existence of these *bons* had not been proved.

WILLIAM J. T. LOUSON, sworn, said; I was in the employ of the Consolidated Bank in December, January and February last, in the capacity of receiving teller. (Witness produced his Teller's Blotter of January last, showing the amount of specie, Dominion notes, and notes of and cheques on other banks, held in his cash.) The amount in specie in my cash on the 31st January last was $130.15; Dominion notes, $301; notes of other banks, $5,284; cheques on other banks, $51,544.73; debit slips, $221,495. The debit slips representing $221,495 were given to me to hold by the General Manager, by whom and by the Assistant Manager they were initialled. These slips represented various sums which had been lent to, among other firms, Ascher & Co., $68,000; Beattie & Co., $47,000; Furniss & Co., $30,070, and Furniss & Co., $27,900. The total amount on these slips was $221,495. They were given to me to hold in my cash.

His HONOUR—What relation does this bear to the return?

Mr. RITCHIE—This sum should have come in under the items—Specie, $311,460.85, or Dominion Notes $267,733.50 or Notes and cheques of other banks $263,838.99. We shall, perhaps, discover where it does really come in.

ARCHIBALD CAMPBELL, Re-examination continued—Produce the *bon* referred to by Mr. Louson. I cannot say how these *bons* were counted in the return. Mr. Wethay or Mr. Pridham will be able to explain them.

Mr. LOUSON'S examination continued—On the 31st January last the Bank had specie, Dominion notes, and notes of and cheques on other Banks, to the amount of $57,740.86. The total amount on hand was $279,235.86, leaving a balance of $221,495 in *bons;* was given no instructions with regard to these slips, except to hold them as cash.

By Mr. KERR—On that day had not in my possessions any notes for which these were exchanged; do not know what they were given for.

ALEXANDER J. HUGHES, sworn, said: I was paying teller in the Consolidated Bank on the 31st January last. On that day we held of specie, $12,525.16; Dominion notes, $15,614; notes of and cheques on other Banks, $4,902.68; in our own bills, $177.032. Have been in the habit of holding *bons* for small amounts in my cash; amongst the *bons* was an accepted cheque of J. C. Baker for $4,000. The total amount of cash items was $210,073.84.

JOHN A. REDDY, sworn, said: I was in the employ of the Consolidated Bank on 31st January last, as paying teller. On that day I had in specie $21.35; Dominion notes, $1.570; notes of and cheques on other Banks, $30,560.24; bills of other Banks, $3.787.80; in our own Bank bills, $2,259; sundry bills on other Banks, $2,043.85; making a total of $40,241.44.

WILLIAM C. PRIDHAM, sworn, said: On the 31st January last I held the position of acting inspector of the Consolidated Bank.

Mr. RITCHIE—What was Sir Francis Hincks' salary as President?

Question objected to, and objection overruled.

WITNESS—The salary paid Sir Francis was $4,000 per annum until June last. On the 19th February I counted Mr. Louson's cash. I found the slips (produced) among his cash. They appeared to have been carried as cash since the 28th November, 1878. I counted the cash on that day, not officially, but as an act of kindness to assist Mr. Wethay. I believe these are the notes (produced) represented by the slip. I was doing duty in the Bank the whole of the month of January. These *bons* and demand notes were given to cover over-draughts. Having discovered this slip I refused to sign the statement of cash on hand. David Kinnell was Accountant of the Montreal branch. Sir Francis Hincks was at the Bank from day to day: he might have been absent occasionally. Witness was Accountant before January, and counted the cash on the 26th November, two days before the slip was given. These *bons* were given to cover over-drafts. The deposit ledgers would show the respective amounts. Mr. Helm had charge of one of them, and Mr. Elliott of the other.

By Mr. KERR.—I had something to do with counting the cash after I became Inspector, but not so much as before Mr. Helm became accountant. These demand notes or *bons* were not included in any one of the three items representing specie, Dominion notes, or notes and cheques of other banks. The accountant's balance book of the Montreal Branch of the Consolidated Bank shows on the 31st January, as follows:—Tellers, $595,792.45, from which is deducted $286,660.19. The component parts of that deduction according to a book of reference, included the *bons* and demand notes held by Mr. Louson, and all that was included in the Dominion notes, specie or cheques on other banks: these slips or demands were classed under the heading "Notes and Bills discounted and current." They were given to cover over drafts, and were subsequently discounted. They had not been discounted on the 31st January, but had been received into the cash, as if the party signing had deposited his cheque on the 28th November, 1878. Previous to January last, I was Accountant of

the Consolidated Bank, and had charge of the returns. There were two offices of the bank in Montreal, the head office and the branch. The head office was in the upper part of the bank premises on Place d'Armes. Each branch had to make a return to the head office; the Montreal branch was as distinct from the head office as any other branch; the returns were received within two or three days from the different branches—sometimes a day or two later. We generally try to have the return ready by the 6th, but must wait till all the balance sheets are received. They were then given to a clerk to journalise, and the Government returns were taken off our balance sheet from the ledger. Since the amalgamation of the banks, the work of making up the returns was under my supervision. It was not possible for me to examine into the correctness of the balance-sheets. The return, when completed, was taken to the President for signature. The President could not verify the correctness of the returns within the time allowed by Government otherwise than from the monthly statements of the branches; it would necessitate him being at twenty different places at the same time.

By a JUROR—I am perfectly satisfied that the item deducted from the general balance, is the one referred to for demand notes and *bons*.

By MR. KERR—I supervised the return of the month of January. The return corresponded exactly with the books, and was made up as correctly as it was possible to do. I took every precaution, and held myself responsible for its correctness—The effect of including these demand notes in the notes discounted would not have been to mislead the head office.

Re-examined by MR RITCHIE—By referring to the books I find that on the 31st January last, the indebtedness of the Consolidated Bank to other banks was $2,146.73; the *bons* and demand notes $286,660.19, referred to in Mr. Louson's cash, were discounted on the 21st February, 1879; demand notes, S. Davis & Co., dated November 28, $25,425.19; B. Furness & Co., $30,070; Ascher & Co., $68,000; H. Beattie & Co., $25,000; ditto, $12,000; ditto, $10,000; B. Furniss & Co., $27,900; Davidson Bros. & Co., $23,100. I am not prepared to say that this amount was incorrectly carried in the return. Am positive that these items were included in the returns. The defendant had means of knowing whether any loans were contracted with other banks.

MR RITCHIE—What I want to ascertain is how these demand notes or *bons* entered into the discounts and then reappeared in Mr. Louson's cash? (A.) As far as the teller was concerned it was cash to him. (Q.) That is at the end of the month they were discounted, and after the end of the month they fell back into the teller's cash? (A.) He deducted it and sent it upstairs. (Q.) Did you take any pains to see if this was deducted? (A.) Yes; according to the balance sheet it was deducted. These demand notes were included in the return under the item "notes and bills discounted, $7,250,149.45." I cannot say positively whether it was in consequence of my refusal to certify these demand notes or *bons* as cash, on the 21st February that they were discounted, but I have good reason to believe that was the reason. The slip would show at what date these demand notes were discounted.

By A JUROR—I cannot say by whose orders the discount referred to was entered on the 21st of February.

By MR. KERR—The books on 31st January showed a balance due to other banks of $2,146.73, and from other banks, $3,752.30. The difference, $1,605.27, was that mentioned in the return as item No. 4, "Balances due from other banks," $1,605.57. This system has been followed since the amalgamation. I would consider that the teller holding a debit slip as cash would be irregular. By doing it as it was done, the tendency was to blindfold the eyes of the President and Directors. The demand notes were held by the General Manager.

By Mr. RITCHIE—If the Consolidated Bank owed a large amount to one bank, and others owed the former, it could not pay one amount by the other?—I would not consider it irregular to enter a loan from another bank, for which a deposit receipt had been given, in the column of deposits.

By HIS HONOR—I would not consider that a loan was due to another bank until it had matured.

DAVID KINNELL, sworn, said:—I have been Accountant of the Consolidated Bank since the amalgamation. Have had charge of the ledger of the Montreal branch since November last. On the 24th October, 1878, there were issued deposit receipts, in favor of the Bank of Commerce, for $48,166.66. The entry can be found in the general cash book, entered as exchange borrowed from the Bank of Commerce, £10,000 sterling. It would have the same effect as cash deposits. I have no doubt the other loans from the Bank of Commerce were entered in the same way. On the 3rd December, 1878, there were three special deposit receipts aggregating $75,000 in favor of the Stadacona Bank. The first of these was repaid on the 16th January, the second on the 5th of March, and the third on the 7th April, 1879. The Bank of Commerce loan was repaid as follows: $24,083.33 on the 24th January, 1879; $48,466.66 on the 12th February, and $24,083.33 on the 24th February, 1879; and on the 24th February, 1879, the loan from the Bank of British North America, amounting to $200,000. Cannot say what amount was due to other banks on the 31st January.

By MR. KERR—There was no understanding as to how the money should be returned: these amounts remained payable after the 31st January, 1879. The Bank of British North America never asked for the money. The loan from the Bank of British North America was not entered under the heading of "Bills due to other Banks." It is usual to enter active balances under that head. It is a discussed question among bankers as to whether a loan from another bank, not due, should be entered under that head or not. The question formed the subject of discussion in the press when the Merchants Bank borrowed money.

By A JUROR—In that case a deposit receipt had been given.

At this stage the witness fainted away and had to be removed from the Court.

RICHARD R. GRINDLEY sworn said—I was General Manager of the Bank of B. N. A. on 31st of January last. The first loan made to the Consolidated Bank by the Bank of British North America was on 28th December for $200,000, and on the 30th December for a like amount.

They were outstanding on the 31st January last. The loans were effected by the General Manager, Mr. Renny, on deposit receipts. (The deposit receipts were produced and read.) The Consolidated Bank applied to the British North America Bank for the loans. The interest was at seven per cent. I received as collaterals, discounted bills to the amount of $352,076. I don't think these bills were endorsed by the Bank, but they were accompanied by a letter.

By Mr. KERR—There was nothing definite about re-payment Had not called on the Consolidated Bank on the 31st January for re-payment. It was understood at the time that it was an indefinite loan. Our Bank has lent money to only one other bank in Montreal, and for a much larger amount, but not on deposit receipts. Our bank has never borrowed from any bank. The amount borrowed by the Consolidated Bank was not entered "due to other banks." I have known other banks which have borrowed money, and which loans have not been placed under the head as "due to other banks." It is not understood that banks borrow from each other. I am aware that when the Merchant's Bank borrowed a large amount of money there was a discussion in the papers, because it was not returned as due to other banks, but was placed in the deposit account. The amount of these loans appear in the returns of the Bank of British North America as "due from other banks."

By a JUROR—In the case mentioned by Mr. Kerr, no deposit receipt had been given.

Mr. RITCHIE—Is it not a fact that the only other loan made by your bank to another bank was by the Directors giving their notes, which were discounted?—A. Yes; I cannot remember whether the Directors were makers or endorsers of the notes.

ROBERT CASSILS sworn, said—I have had considerable experience in banking in Canada; was present at the special meeting of shareholders in September last. I believe it was the 19th inst. when Sir Francis Hincks presided.

Mr. KERR—I object to any evidence regarding any meeting of Shareholders.

Mr. CASSILS continued—There was no mention of a loan in the statement submitted at that meeting. I then asked when the Consolidated Bank commenced to make loans from other Banks. Sir Francis Hincks replied that it was in October and that the amount obtained was $600,000. It was not stated what security was given. I had no reference to the return furnished to the Government. I think the items "Balance due to other banks," and "Balance due from other banks," should be kept separate, and the whole amounts placed in each column, because in the "balance due from other banks" there might be balances from insolvent banks, while the bank itself might be called upon to pay the "balance due to other banks" immediately. If a large balance appeared as due to other banks in the return, it would appear in a weak condition. As to loans represented by deposit receipts with collateral security, these should certainly appear in the column "due to other banks."

By Mr. KERR—I was the Manager of the Montreal branch of the

Commercial Bank up to 1855, when I became Cashier of the Bank of British North America, in which position I continued till 1861. I was Cashier of the Bank of Upper Canada from 1861 till 1866, when the bank was in bad circumstances and failed. Since 1866 I have had no practical experience of the Banking Act. Balances due to other banks, generally speaking, means the same thing as balances. Threatened Sir Francis Hincks with legal proceedings, but did not call him "a blackguard," or "a swindler," as some other gentleman had done; have no animus against him; accused the defendant of deception; was not irritated at the time; my loss amounted to $838; have still an opinion that their conduct was highly reprehensible. During the time I was in the Bank of Upper Canada returns were made. The Bank of Upper Canada was a complete failure. I do not consider a promissory note due until the last day of grace has expired.

Mr. KERR—Is it not recognized that the words "due to other banks in Canada" means payable to other banks in Canada? Witness—Yes, usually.

By HIS HONOUR—I consider the loans made on collaterals as a liability of the Bank, and should have so accounted for them in the return.

WENTWORTH J. BUCHANAN, sworn, said—I was General Manager of the Bank of Montreal, on 31st January last. On the 10th January the Consolidated Bank borrowed of the Bank of Montreal $98.287,22, represented by a deposit receipt, and payable 25th April, and covered by collaterals, consisting of bills discounted. On the 22nd January they borrowed $123,138 89, payable April 25th; on the 28th January $50,000, payable on the 28th April. This amount was guaranteed by certain gentlemen. The defendant was not one of them. On the 31st January $200,000 were borrowed and bills discounted. There was no deposit receipts. These sums represent a total of $471,426.11. These loans were made here, and the money paid over.

By Mr. KERR—I had no experience in Montreal outside the Bank of Montreal, but I believe it has been the custom in banks where amounts have been borrowed on time to place them under the heading of deposits payable after notice, if they were put under "balances due from other banks" it would create the impression that the bank might be called upon to pay at very short notice. It has always been a matter of doubt as to the proper method of accounting for such amounts on the Government returns. It does not appear that the loan of $200,000 on the 31st January was on time but on demand.

By Mr. RITCHIE—If these loans were entered under the heading "deposits payable after notice," or "on demand," it would deceive the public; the form of Government return does not admit of showing the exact state of things; there should be a heading for "Time loans to" and "from other banks." I never made a return to the Government; it was not my duty.

FRANK HENRY BURNETT, Stock Broker, sworn, said:—I was present at the meeting of the shareholders in Mechanics' Hall, at which I asked Sir Francis Hincks some questions as to why the $622,000 borrowed by the bank did not appear as being "due to other banks" in the returns to

the Government. It certainly misled me, as I was not aware that the bank had been borrowing largely, and had I known this, should not have had confidence in it.

By Mr. Kerr—I never heard of the Consolidated or any other bank having borrowed money on deposit receipts.

Charles Henry Wethay, sworn, said:—I was assistant manager of the Consolidated Bank in January last. I had occasion to count Mr. Louson's cash on 20th February; on the 19th February there were demand notes and bons amounting to over $200,000. I also counted it on the 20th November; on the 19th February, there were demand notes which Mr. Pridham refused to certify as cash; these demand notes were for over $200,000; I cannot speak positively as to the past due bills without refering to the books of the discount department.

At this stage of the proceedings the Court adjourned until 10 o'clock to-morrow morning.

THIRD DAY.

Saturday, October 18.

Mr. Charles Wethay evidence continued—The statement book produced is supposed to go before the Board twice a week, and to contain the total of discounts of the various customers of the branch from one Board day to another. From the 20th to the 24th February the following notes were discounted:—H. Beattie & Co., $49,460; Davidson, Bros. & Co., $23,600; Ascher & Co., $90,880; S. Davis & Co., $25,450; B Furniss & Co., $75,790; total, $247,360. What were called local bills—that is, bills payable in the city—amounted to $285,493, including this amount, leaving about $38,000 for ordinary local paper.

His Honour—Mr. Ritchie, I want to know if this book shows the same figures as the slip.

Mr. Ritchie, Q.C.—It shows the bills discounted from the 20th to the 24th February.

Q. What was the amount of discounts in the previous interim?

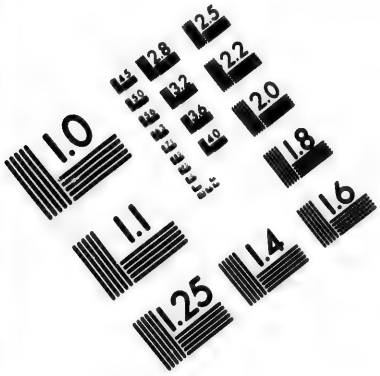
This question was objected to on the ground that, whether the amount was large or small, it had nothing to do with the case. The objection was maintained.

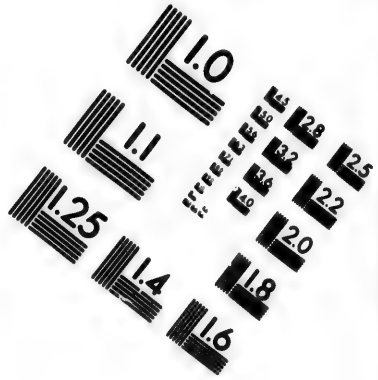
Mr. Wethay continued—The Board met on Monday, the 24th February, as the bock produced shows.. The defendant was present.

His Honour—Does the book show the nature of the bills discounted, so that the defendant would be really cognizant of their nature?

The book was handed up to his Honour, and was merely a formal record of the meeting.

Mr. Wethay.—The handwriting of the names of the directors present I identify as that of Sir Francis Hincks. Do not know who checked off those large amounts of demand notes, whose amounts I believe were carried to the credit of the respective parties about the latter part of November. I was not present at that meeting, nor do I think I was present at any meetings about that time.





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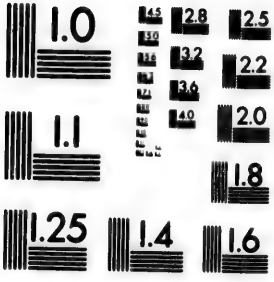

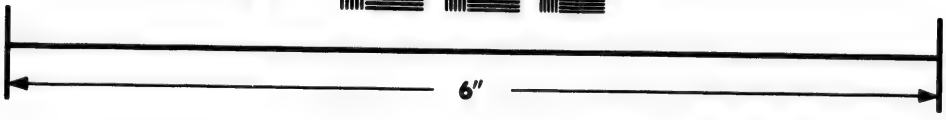

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By Mr. KERR.—(Q.) Mr. Renny, I believe, exercised the powers of discount? (A.) There was no regular discount day; every day was a discount day. (Q.) And Mr. Renny discounted on his own responsibility very frequently between the dates of the Board Meetings? (A.) I presume he did; I don't know. The books which contain those accounts referred to, and in which the amounts of discounts are placed to the credit of the respective parties, are now in court. The deposit ledger would show those accounts. An item or $25,425, amount of demand note, was placed to the credit of S. Davis & Co., in liquidation, on the 27th November, 1878. On November 28, 1878, $27,900 was placed to the credit of B. Furniss & Co., the proceeds of a demand note for $30,070. On November 29th, 1878, there is a credit to Ascher & Co., of $68,000, the amount of demand note. On November the 29th a credit of $25,000 is placed to the account of H. Beattie & Co., also the proceeds of a demand note. On the 2nd December there appears another credit to H. Beattie & Co, of $12,000, a demand note also. On the 22nd November, 1878, there is credit to H. Beattie & Co., of $10,000, which I think must be the proceeds of the note I hold in my hand (witness hesitating), and yet it can't be, either, for the note is dated the 28th November.

HIS HONOR—Try and clear it up, Mr. Wethay, and take your time about it.

Mr. WETHAY—I see an amount of $10,000 to the credit of H. Beattie on the 28th November. I think it must be that.

Mr. KERR—(Handing him a slip). Perhaps, that will enlighten you.

Mr. WETHAY—This is a deposit slip, which shows that $10,000 were placed to the credit of Beattie & Co., and on it are the letters D. N.

HIS HONOR—Is that the note?

Mr. WETHAY—I presume it is, as it is of the same date as the credit.

HIS HONOR—On the 22nd November, 1878, there was $10,000 credited which you think are the proceeds of that note bearing that date? This is the credit slip?

Mr. WETHAY—Yes. In looking at the accounts of B. Furniss & Co., I think I made an error in stating that the $27,900 were probably the proceeds of a demand note for $37,070, dated 28th November. This note appears to have been credited B. Furniss & Co., on the 21st February, $30,070.

Mr. KERR—Look at this slip also, and see whether there were not two accounts of B. Furniss & Co.

Mr. WETHAY.—There are three or four accounts, and they are very puzzling. On the 28th November, $27,900 are credited B. Furniss & Co., which seem to be a demand note. I find another account of B. Furniss & Co., credited $30,070, on the 23rd November. There is a discrepancy between the date in the ledger and the date of this credit slip, which is dated 28th November, but I am inclined to think the former is a clerical error. The date of the note is also 28th November. On the 21st February Davidson Bros & Co. are credited with $23,100; that would be the proceeds of the note now shown to me of $26,800 dated 4th November.

Mr. KERR—Who is the person in the bank who ordered that these demand notes should be carried to the credit of these accounts in November.

Mr. WETHAY—It must have been the General Manager, Mr. Renny.

Mr. KERR—Was it his duty to have reported this to the Directors?

Mr. RITCHIE—I object to that question.

HIS HONOUR—Put the question in another form.

Mr. KERR—Must not all these matters of discounts go before the Directors at their meetings?

Mr. WETHAY—All matters of discounts are supposed to go before the Board. (Q.) These transactions, how do you characterise them? Were they discount transactions? (A) They were transactions which should certainly have gone before the Board. (Q.) Consequently they were regular discount transactions; and the only thing which distinguished them from regular discounts was, that they were not brought before the Board? (A.) I don't know that they were not brought before the Board. (Q.) *Were* they brought before the Board? (A.) I don't know. (Q.) Then, were they kept secret? (A.) I am not aware that they were kept secret. (Q.) Is it not a fact that they were not brought before the Directors before 1st February, 1879, and that you remonstrated with Mr. Renny for not bringing them before the Board? (A.) I am not aware that I ever remonstrated with Mr. Renny for not bringing them before the Board. (Q.) Is there any thing in the Books to show they were brought before the Directors previous to the 21st February 1879? (A.) No. (Q.) And there would be if there had been? (A.) Yes. (Q.) Were you not aware by the books that these transactions had taken place? (A.) I was not. I first became aware when certain amounts, said to be demand notes, were passed through as discounts. That was in February. Viewing these matters in the light of recent developments, I certainly think they were purposely kept secret from me. They were not generally known in the Bank until passed through the discount book, when any clerk on turning up the book could see them. The first discovery was made by Mr. Pridham in counting the cash. He then found certain irregularities in Mr. Louson's cash which he reported to me, and I reported them to the General Manager, and refused to look upon them as cash until I had received his sanction. That was in February. My honest conviction is that Mr. Renny was desirous to withhold the knowledge of these transactions from the Directors, and in that he succeeded only too well. After the counting of the cash in February, these matters found their way into the proper books.

Re-examined by Mr. RITCHIE—You say these *bons* and demand notes were discounted long before February? (A.) They were not passed through the books before then, but the money appears to have been advanced. (Q.) That is they were held as representing cash, although they were demand notes? (A.) Instead of the notes having been passed through as discounts, they were held in the teller's cash, I presume, to prevent their coming before the Board. (Q.) And they were taken out of the cash items, the end of February, for the purpose of the Government statement; are you aware of that? (A.) It seems to me there is a misconception about the cash as I have always understood it. I think that practically these matters never went into the cash. It is perfectly true they appeared in the teller's blotter, but the teller's book, although it is

a bank book, is, to a very great extent, apart from the general system of book-keeping in the bank. Although the slip itself is in possession of the teller, the amounts represented on it were sifted out every night; I understood one of the witnesses yesterday to say four times a month, but I maintain they were taken out every night. They were taken out of the cash and put in their proper places where they ought to have been from the first, viz., among the discounts I cannot show this by the books. You say the carrying of these large amounts in the cash was not generally known in the bank; did not the discount clerk know something, who was he? (A.) Mr. Struthers was discount clerk. MR. RITCHIE—He didn't know. Cannot tell amount of Ascher & Co.'s overdrawn balance on 31st January, nor of any of the others. (Q.) Will you refer to the book that shows that extraordinary transaction? (A.) I could not, but the accountant can. (Q.) Were you assistant general manager? (A.) I was merely assistant manager at Montreal. Mr. Renny combined the two positions of general manager of the bank and manager of the local office. As cashier of the City Bank he had the management of the funds. When these loans were made from the other banks a large amount of discounted paper was handed over as collateral security, and records of these transfers were made on lists, but no entries made in the books. Two lists were made in every case, one of which was handed to the bank with the notes given as collateral security and a duplicate kept in the Consolidated Bank. (Q.) Then there was nothing to show in the books or in the Government statement what discounted notes had been handed over to other banks as collateral security for loans? (A.) There was nothing in the books. I did not make up the Government statement.

Mr. W. J. BUCHANAN recalled by the prosecution. The loan referred to by me yesterday as being due the Bank of Montreal from the Consolidated Bank on demand, was really not due until 26th April, 1878. I was in error.

Lt. Col. TURNBULL, Quebec, sworn—I was present at the meeting of the shareholders of the Consolidated Bank in Mechanics' Hall, on 18th September last, Sir Francis Hincks presided. Sir Francis Hincks said, in reply to a question from Mr. Cassils, that the Consolidated Bank had borrowed about $620,000 from other banks, which amount was not entered in the statement laid before the meeting. He also stated that these moneys had been borrowed at different times, as far back as October, and that discounted notes had been handed over to the different banks as collateral security, which notes were included in the amount of notes discounted and current at the time he returned the Government statement on the 31st January. The words he used were as near as possible to this effect: that these notes which were handed over as collateral security had not at any time been taken out of the bank's books as re-discounted notes, they therefore necessarily must be included in the item No. 13. He said further, the amounts borrowed from other banks appeared under the head of Deposits.

BY MR. KERR—You have no special knowledge of banking, I think? (A.) I have. (Q.) Perhaps you will then favor us with an idea as to how you would manage with respect to these notes as collateral security

if you were making up the statement? (A.) If I had parted with these notes to another bank, and borrowed money on them, I certainly would not return them to the Government as notes held by me, for the simple reason that it was quite possible a large amount of these notes might never have been paid. (Q.) Do you understand the difference between a note re-discounted and a note given as collateral security? (A.) Yes; a note re-discounted is a note with which you part altogether. It belongs to the bank to which you discount it, and if paid you have nothing more to do with it; if not paid and you have endorsed it, you are liable for the amount. (Q.) What is the condition of a note given as collateral security? (A.) Its condition is that in the event of your making good the money borrowed when due, the note will be returned to you. (Q.) Whose property is the note in the meantime? (A.) It is the property of the person who holds it as collateral security. (Q.) How would you include the amount of such notes in the Government return, or would you take them out entirely? (A.) I think these notes ought not to have been returned to the Government as notes in the possession of the bank. They should not appear in the return at all.

SAMUEL STRUTHERS, assistant discount clerk in the Consolidated Bank, sworn:—The first time it came to my knowledge that these demand notes for $221,495 were held as part of Mr. Louson's cash was on the 28th November, when the debit slips were made out. This was known to the General Manager, Mr. Morgan, Mr. Louson and Mr. Hubbell.

ANDREW B. STEWART, Official Assignee, sworn:—I was present at the special general meeting of the shareholders on the 17th and 18th last September, and heard the defendant make the statement that $622,000 had been borrowed since October, 1878. I corroborate the statements made by Colonel Turnbull.

Mr. RITCHIE—Are you aware that Ascher & Co. are insolvent?

Mr. KERR—I object to the question. It has nothing to do with the case.

Mr. RITCHIE—I will not press the question, as I do not wish to blacken those demand notes—they are black enough already.

Cross-examination continued—Looking at the statement book, are you able to trace what Asher & Co. had done with the $68,000? Did you see the statement book? (A.) I saw the statement book after that meeting. I endeavored to trace what Ascher & Co. had done with the proceeds of their notes. (Q.) At the meeting, what statement was made in answer to Mr. Burnett's enquiry? (A.) I don't remember distinctly; but I understood the books were perfectly in accordance wit' the Government return.

EDWARD L. BOND, Broker—I was present at the special general meeting referred to by the previous witnesses. Heard Sir Francis Hincks say that a large sum of money had been borrowed by the bank; do not recollect the amount. I heard him say that the loans, when borrowed, had been entered as deposits; that a large number of bills had been pledged to give these loans. As a broker, had also occasion to look at monthly returns. If, in the return to the Government, instead of the amount being among the deposits, it had appeared that $993,000.00 was

outstanding due to other banks, it would have alarmed the public as to the state of the bank. In this return, the column "Due to other Banks" is blank, and in the column "Due from other Banks, $1,600.

By His Honor—We are in the habit of looking at bank returns to the Government, and comparing them with the returns of the previous month.

By Mr. Kerr—There was a street rumor in January that the Consolidated Bank had borrowed largely from othor banks; cannot tell the exact date or the amount. That fact led me to make enquiries of Mr. Renny and Sir Francis Hincks, and they told me there was nothing in the condition of the affairs of the bank to warrant the decline in stock.

Mr. Ritchie—I hope you are satisfied, Mr. Kerr.

David Kinnell, Accountant of the Consolidated Bank, recalled—The loans outstanding on 31st January last, were: From the Bank of British North America, $400,000; from the Bank of Montreal, $471,426.00; from the Bank of Commerce,, $24,083.33, and $48,466.66, making $72,549.99; from the Stadacona Bank, two loans of $25,000.00 each; forming altogether a total of $993 976.10. No deposit receipt was given to the Bank of Montreal for the $200,000 borrowed on the 31st January, but there was a letter. In the returns to the Government, the over-drawn balances were entered under "notes and bills discounted and current." The amount of overdrawn balances on 31st January, was $517,372.92. Some of them were secured by mortgages; cannot say how much was secured. In the returns from the Montreal Branch to the head office, $517,372.02 appeared as overdrawn accounts.

Mr. Pridham, re-called—I was not aware that on the 31st January last, $200,000 was borrowed from the bank without any deposit receipt being given. I only heard so last evening.

Mr. Ritchie—Now you have before you the boook showing the overdrawn accounts in the Consolidated Bank to be $517,372.92. Where does that amount appear in the Government returns? (A.) Under item 13, "notes and bills discounted and current." (Q.) Is it not a fact, Mr. Pridham, that at that time the bank held no notes discounted representing that amount of $517,379.72; that in fact it held nothing but overdrafts? (A.) They did not hold notes to that amount, but they held overdrafts and securities. I could not say how much the securities amounted to. (Q.) How much was Ascher & Co., overdrawn on the 31st January? (A.) They were not overdrawn on the 31st January. (Q.) How is this item of $517,372.92 composed. Have you a list of these overdrafts? (A.) I don't think it. We were in the habit of taking out a balance sheet every fortnight. From memory I think Beattie & Co.'s account was overdrawn by $17,072.38 on the 31st January; we had collateral notes as security for about $9,000; this amount of $17,072.38 was overdue. (Q.) And still it was included in the return to the Government as "notes and bills discounted and current?"

By His Honour—It is included in the $517.372.92?

(A.) Davidson Bros.' account was overdrawn $76, on the 31st January; Fish & Shepherd's account was overdrawn $5.600; T. F. O'Brien's special account was overdrawn $78,810.79; T. F. O'Brien's ordinary account was overdrawn $48,127.78.

By His Honour—Are you secured on this account?

A. We have a lot of mortgages and stock.

Mr. Ritchie—Have you any other large amounts of overdrafts?

A. There is B. Furniss & Co.'s special account No. 1, overdrawn $66,279.13; this is also partly secured by mortgages. Forsyth, $4,216.47. I have not the slightest doubt that the amount of overdrafts as stated is the correct amount.

By Mr. Kerr—During your experience in this Bank in making out Government returns, how were these overdrafts placed?

A. As "notes discounted." This was the practice in the Royal Canadian Bank, and also in the Consolidated Bank, and the way these overdrafts were represented was by cheques and notes charged. The present Government form in use is not clear on this point; I have tried to ascertain the practice of other banks.

By His Honour—I assisted in making up this return. I presented it to the general manager. $286,660.19 was deducted and placed among notes discounted and current.

This closed the evidence for the Crown.

FOR THE DEFENCE.

Mr. Kerr—called upon the General Manager of the Bank of Montreal,

Richard B. Angus, who being sworn said—I have made these returns to the Government since 1869; I am acquainted with the mode in which these returns are made up; the Bank of Montreal has a number of these branches throughout the country. I have examined the returns with the Canada Gazette, appreciatively from month to month, and have come to the conclusion, from the figures there, that Banks generally have entered loans received from other banks under the heading of deposits on time, or time deposits. I infer from this that there has been a very great discrepancy in those returns between amounts due to other banks and those due by other banks. The amounts due to other banks usually have exceeded those due by other banks during the past two years to a very great extent, from a million to two million dollars. This discrepancy is well known to professional men and arises from the uncertainty as to the manner in which those amounts should be treated, as to whether loans from other banks should appear as due to other banks or as deposits payable on a fixed date. The general treatment has been for the Banks receiving loans to include them under deposits payable after notice or on a fixed date.

By the Court—I find a great discrepancy in the column No. 8, amounts returned as "balances due to other banks," and column No. 4 in the assets, which corresponds with it, "balances due from other banks in Canada." This large discrepancy between these two columns shows a variety of treatment; it shows that loans received in this manner have been treated as "deposits on time," and I infer that this has been the general practice.

Mr. KERR—According to your idea, Mr. Angus, if there was uniformity of practice in banks these two columns ought to balance? (A.) Yes. The only way in which I can account for this discrepancy in these two columns is, that some banks have not treated these loans as coming under this particular head, but under the head of deposits. The practice of the Bank of Montreal, in entering loans to other banks in the return made public, has varied somewhat, according to the character of the loan, the time it might have to run, and the securities obtained. It has not been invariable. If the Bank of Montreal had borrowed from other banks in Canada a sum of money on time, I would not consider it imperative, in making a correct statement, to place the amount so borrowed under the heading No 8 in the list of liabilities, because the loan does not become due until maturity. I should therefore have exercised a wise discretion in placing it under the head of "deposits on time" or "other liabilities not included in the above."

HIS HONOR—In ordinary cases it would go under No 8;

Mr. ANGUS—Under No. 8 or No. 7, "deposits payable after notice or on a fixed date." These loans are sometimes made for the convenience of the bank that lends as well as the bank that borrows. They are evidenced by deposit receipts, and come under the head of deposits. For instance, if the Bank of Montreal wishes to employ its capital advantageously, it goes to another bank and says: "Will you take so many hundred thousand dollars of our capital and give us interest at 5 or 6 per cent.?" The bank accepting pays the interest. On the other hand, it might be a loan made for the interests of the other bank and so treated. These loans are susceptible of explanation. There is a reason, from a professional point of view, why a loan from another bank payable on time or after notice should not appear in the return as due to other banks, and also from a public point of view. By entering such loan under the heading of due to other banks, the manager would do injustice to his bank, because he would represent a loan obtained as an immediate liability and would require, consequently, to keep a very large cash reserve against the item so entered. The loan would appear to the public as a liability immediately exigible, and would require a much larger reserve to be held against it than would a loan or liability payable after notice or on a fixed date.

Mr. KERR—You therefore apply the word "due," as it appears on this return, not to existing liabilities, but to liabilities that are exigible at the time of making the return? (A.) I don't quite understand that question. (Q.) Do you consider an amount due only when it is exigible and payable? (A.) I look upon the word "due" as indicating a balance exigible and payable immediately. I have had occasion, in my experience as Manager, to deal with overdrawn accounts, but we try to restrict it as much as possible. In the returns to Government by our bank overdrawn accounts are scrutinized and distributed among the different columns to which they belong; if to the Dominion Government, they are put under "advances" to that Government; if to the Provincial Government, as "advances to the Provincial Government;" if to real corporations, as "advances to corporations." If to private individuals, our practice has been to include the very small amounts we have in that

way among bills discounted and current, in short, in the column exactly indicating the loans that have been made. Collateral securities held by the bank for deposits with other banks do not appear in our returns, but the amounts given against them appear as a liability. The collaterals themselves are held in a special book kept for that purpose, just as we would enter so much wheat or corn or iron against special advances. They do not appear in the public return as our property or in any shape. (Q.) How should the bank borrowing treat those securities given as collaterals in its returns? (A.) That is a question I have not had to consider so far. I do not see under what heading they could be reported to the Government and the public. They might be affixed as a memo. to the return, under a heading of notes and bills discounted and current, hypothecated as collateral security for loans, but if that memo. were put in the return I question whether it would be clear to the public, because there is no machinery for presenting this information to the public. The Government return does not provide a means. (Q.) If those notes given as collateral security were not included in the amount of bills discounted and current, would not the assets be diminished by that amount, while the loan was included in the liabilities? (A.) Yes and if the amount of the liability did not appear, but was deducted from the amount of bills discounted and current, it would have had a very deceiving effect upon the public, because the bills discounted until paid do not go into the cash; the more correct way is to show the whole amount of bills discounted.

(Q.) What opportunity has the President of a Bank which has a number of branches to check within the ten days allowed by law, the return which is presented him for signature? (A.) If he were very industrious and devoted his whole time exclusively to it, he might compile a return similar to that which is made by two professional men in that time, but he would also require qualifications not usually possessed by presidents of banks, and which are only acquired by special training, time for which few men in the position have to obtain. Even in this case he would have to rely upon the returns sent in from the branches. The responsibility for the correctness of the return made to the Government rests upon the chief accountant and general manager. The President can compare the return with the returns of previous months, and obtain explanations of any deviations, so as to satisfy his own mind on the subject, as our President does. That does not involve an enquiry into the business of any branch, but only into the figures furnished by it.

Cross-examined by Mr. Ritchie—The difficulty appears to be on the side of the borrowing bank; there is none in crediting the amount on the part of the lender? (A.) I stated there was a difficulty, and am prepared to show we are sometimes puzzled as to the column in which we should place those loans when made. (Q.) Is it not a fact that your bank entered in its return the $471,000 loaned the Consolidated Bank, January last, under the heading "balances due by other banks? (A.) Yes, a large portion of it. Some time ago it would not have appeared in that way, but the public press seemed to call for the figures of that description, and I saw no great harm in our placing it that way. (Q.) If on the 31st January last your bank was a borrower from other banks to

the extent of $993,000, would you consider you were giving the public a correct statement by hiding the amount under the cover of the heading "Other deposits payable after notice, or on a fixed date"? (A.) If I had no other opportunity of reaching the public than by the public statement exacted by the Government, I do not know that I could put it under a more correct heading. (Q.) Do you not think it would be more correct under No. 11, "Liabilities not included in foregoing heads," and show the public the nature of the transaction? (A.) I have stated I should probably have given preference to that scheme, but consider it would be discretionary on my part to do so or not. (Q.) Then you think that statements which kept from the Government and the public the fact that the bank had been obliged to resort to other banks for aid to the amount of a million dollars would not have a tendency to deceive the public as to the condition of the bank? (A.) I repeat that in the return there are only three headings under which information can be conveyed to the public, and it is optional with bank managers to use either. (Q.) Which heading No. 11 or No. 7 would convey to the Government and to the public the most correct information? (A.) My preference would be for No. 11, "liabilities not included under foregoing heads." (A). In using one of the only three columns capable of giving any information to the public, it was optional to use "deposits payable after a fixed date." My impression is that column No. 11, "other liabilities not included under the foregoing heads," was not the proper place. I have never required in my returns to acknowledge loans from other banks. (Q.) Had you made a return to the Government on the 31st January last, and had you found $517,000 representing overdrawn accounts, some of which were secured by mortgages and some not at all, would you have considered yourself warranted in entering it under No. 13, "notes and bills discounted and current?" (A.) No. My own practice has been to distribute these overdrafts among the respective columns, but without knowing more of the circumstances I may say I hardly think I would, but I can scarcely conceive having such an amount of that character to deal with. I never saw such assets without being able to allot them in the manner I have already mentioned after such a scrutiny as I would give them. They should have been written off altogether or distributed under the heads of advances to Dominion Government, to corporations, etc., as the case might be. I speak of the Government returns from the knowledge I have of ours and also of those of other banks, as they have sometimes been submitted to me before publication. If an ordinary account has been overdrawn, our custom is to include it under the heading "notes and bills discounted."

By Mr. KERR—Our custom has been to include overdrafts under the heading of bills discounted. I do not know if it is entirely correct, but the reason is that such overdrafts are in connection with that department of our business. (Q.) Consequently though your bank is lucky in not having overdrafts, still whether the amount is large or small the practice is the same? (A.) Yes. (Q.) Does not the President look to the Manager for the correctness of the report? (A.) Yes, to a large extent he must rely on the professional assistance he has.

His HONOUR—In the case of demand notes, what form of security do

you require? (A.) We don't have demand notes. (Q.) You are familiar with the law relating to these accounts? (A.) I am. (Q.) You are also familiar with the form of these accounts, and you think it more proper to place them under the heading of "deposits?" (A.) Yes. The general practice is as I have stated. It has been my practice to see how the other banks have kept their accounts in order to be prepared to respond to any demand made upon us.

A JUROR—(Mr. Wood)—Who in your bank is held responsible for the correctness of the returns, the General Manager or the President? (A.) Both. We both make a declaration under oath that, to the best of our knowledge, the return is correct. The President has to rely on the General Manager and the latter on his subordinates. In the case of an error occuring the President would look the principal executive officer who might place the responsibility lower down. If a demand note had been put into the cash I don't know of any other heading that it could be placed under than "notes discounted," unless there were securities, as loans upon bonds or bank stock, which would classify it as "loans upon bonds."

Mr. RITCHIE—If a demand note had not been discounted at all but had been given for overdrafts representing cash to a large amount, and if it were discounted on a later day would that appear among notes discounted? (A.) You cannot discount a demand note.

Mr. RITCHIE—But it has been discounted.

Mr. ANGUS—You may give cash for it, but you can't discount it. Practically the President verifies the correctness of the return. The President of the Bank of Montreal does.

MR. JOHN INGRAM, Assistant Manager of the Merchants Bank, sworn:—I have been resident for some two years in Montreal, and have been engaged in banking in England, Scotland, New York and Montreal. The figures published in the Government returns, indicating the treatment of both assets and liabilities, show a discrepancy chiefly in those items which exhibit the indebtedness of banks one to the other. I could account for that discrepancy, because the banks which lend put down the amount under the heading of "due from other banks, wishing to put their best foot forward, while those that borrow entered it in another column. (Q.) Under what head? (A.) If a deposit receipt is given, they enter it as deposits on time, because it is vouched for by the deposit receipt. If entered otherwise, it would be fictitious. I do not see that, if no deposit receipt were granted, it would alter the matter at all. (Q.) You would consider that to enter a time loan as "due from other banks" would be exceedingly incorrect? (A.) I don't know that it would be exceedingly incorrect; it would be misleading, as it might be taken to be past due. I think that these columns were only intended to represent the pass-book balances between banks, similar to the clearing house operation in London. (Q.) In the event of overdrawn accounts existing in your bank, under what head would you place these overdrafts? (A.) I should make an analysis of these overdrafts and treat them accordingly; I should classify them according to the accounts. Supposing it was an overdraft on an individual account, I should be driven by the insufficiency of the classification in the Government return to place it

under "notes discounted and current." (Q.) Under what head would you be forced to place demand notes? (A.) I suppose under the head of "notes discounted and current." (Q.) Suppose the bank borrows a large sum of money from another bank and gives a large amount of securities for it, how ought that entry to be made, and ought there to be any entry noticing the fact of these securities having been given? (A.) I should not consider that either bank should make a principal entry. I consider they should have made a subsidiary entry, but not to bring them into the balance sheet. It should be a memorandum. (Q.) According to the pratice of the Merchants' Bank, how do you manage with respect to these two contra entries, "due to" and "due from" other banks? Is it your habit to substract the greater from the less and merely allow the difference to appear? (A.) Our practice has not been entirely uniform in that regard. The Government return has an item on both sides. The information, I apprehend, respecting the bank's position could be extracted from both the entries. I have reason to believe that some banks choose one and other banks another method. There might be the objection against striking a balance and entering the difference, that some banks might appear to have no assets, but there is the double liability of the shareholders, which would make their assets not so bad in the end. I should not consider that method incorrect. The officer responsible for the correctness of these returns in the Merchants' Bank was the chief accountant, but that officer could only proceed upon the figures which are presented to him, and through his superior officer it is presented to the President. (Q.) The President has to rely upon the fidelity of the officers of the bank? (A.) Yes, not only the President, but the chief executive officer, has to rely on the fidelity of subordinates.

By Mr. Ritchie.—What is the object of making these bank returns as far as the public are concerned? (A.) To enlighten the Government and the public as to the position of the bank. (Q.) If you had been making up a Government return from your books and found that you had borrowed $993,000 from other banks, would you consider yourself justified in entering that amount as if it had been received from the public on account? (A.) As a matter of fact, if the money had been payable after a fixed day, I would consider myself shut out by the form. I consider the Government returns are very defective documents. (Q.) If you borrowed a million dollars, payable after notice, would you enter it under the heading "liabilities not included under foregoing heads"? (A.) I do not think that classification would be open to such a transaction as you describe. (Q.) Your opinion on this point is different from that of Mr. Angus. (A.) I have the greatest respect for the opinion of Mr. Angus, in all that relates to banking, but I may be permitted to say you are dealing with a very large sum of money, and I am adjusting my answers to your questions. I think the public would be surprised indeed to find a million dollars suddenly pitched under that heading in a monthly return. (Q.) I have no doubt they would. Would you not be completely misled if a bank had borrowed that amount from other banks, and if that amount, so borrowed, was entered in the return as if it had been received on deposit? (A.) I beg your pardon, I have lost the thread of your question. (Q.) If you were preparing a return for the

31st January last, supposing the bank had borrowed four or five hundred thousand dollars within the preceding month—that it had borrowed this money to make good certain deposits—if that was entered in the return you were preparing, to make it appear as if it had been received on deposit from the public, would not that be deceiving? (A.) It would not deceive me. (Q.) But do you think that would be advising the public of the fact that these loans had been made? (A.) I do not know that the public should be advised of these loans. (Q.) Then you consider that the object of these returns is not to advise the public as to the position of the bank, that, in fact, nothing in the nature of a "danger item" should go into them? (A.) I do not know that this is a "danger item" at all. It might be possible that the money had been borrowed to purchase exchange at interest, and I would not consider that I would be doing justice to my bank at all by putting it in the return as "due to other banks." (Q.) Suppose, on the other hand, that you had been obliged to borrow a million dollars to keep your bank open, don't you think the public should be advised of it? (A.) That is rather a difficult question to obtain an answer to. I should say that the public, interested in knowing the position of a bank, are not exclusively dependent on the Government returns for information. I doubt if any Government return could be so framed as to give such information to the public. (Q.) I ask whether a bank, which had been obliged to borrow nearly a million of dollars to keep its doors open, would be justified in covering that up under item of "other deposits payable after notice or on a fixed date," or whether the public should not be informed of the position of that bank? (A.) As a banker, I have already stated that the Government return is superlatively defective. What I understand by item 8, "balances due to other banks," is merely a clearing out between the banks, and I claim that such a transaction as the borrowing of a million has no place under this head. The principle is the same whether the amount is a million or one dollar. (Q.) Could it not be stated that it is a loan? (A.) It would be violation of the statute. The statute prescribes that form and no other form. I think that, if you cannot classify your statement to a finer point than that, it would be better to have no statement. (Q.) I think so, too. You say you do not consider it incorrect to strike a balance between the items "due to" and "due from other banks" and give it only? (A.) I do not consider it incorrect. (Q.) Do you not consider it more correct to put on one side what is "due to" and on the other side what is "due from other banks," than merely to give the difference on one side of the return? (A.) It is more definite, but not, in my opinion, more correct. (Q.) Supposing you found a man credited for $400,000, without anything to show for it, would you feel yourself justified in putting this under "notes and bills discounted and current?" (A.) I should be very sorry to have to contemplate any such set of figures, but I should say there is no other place in the return. (Q.) Explain why they could not go under the heading 18, "assets not included under foregoing heads?" (A.) That heading is rather a sore point with bankers. (Mr. Ritchie, interrupting—I have no doubt of it.) The Witness continuing: There are some banks that omit it altogether. It used to be a sore point with the Merchants Bank. I do not know why

it should not be put there. (Q.) Would you consider yourself entitled to put $517,000 overdrawn balances, represented by cheques, etc., as "notes and bills discounted and current?" (A.) I can only answer that question as I did in my examination in chief—I should classify them and put them under the proper accounts. (Q.) But if you had a cheque, representing an overdraft on an individual account, would you hesitate to place it under heading 18? (A.) I must say that I find it exceedingly difficult to swear to answers to all the questions you put as to what I would do under a certain hypothesis. I do not know what I would do. At all events I would have more time to consider than I am likely to get here. (Q.) You gave your opinion very freely, Mr. Ingram, on the other side.

His Honor—Do you believe this return would be deceptive, either as regards the Government or the public? (A.) It might be misleading to the public without being intentionally deceptive.

ADDRESS BY MR. KERR, Q.C.

Mr. Kerr, in addressing the jury for the defence, reviewed the history of the City Bank, and its joining with the Royal Canadian, to constitute the Consolidated Bank. Mr. Rennie, who had been cashier of the City Bank was, he said, promoted to be general manager of the Consolidated, and as such was chief executive officer of that institution. Under the Banking Act of 1871, section 13, it was provided that a monthly return should be made to the Government, in a specified form, such return should have been signed by the President, Vice-President, or by the Manager, Cashier or other principal officer in the Bank. The form given in 1871, was altered afterwards by the Government. It appears that the Consolidated Bank regularly followed their instructions in the returns made to the Government. Mr. Kerr here quoted from the 162nd section of the Act of 1871. He also read the penalty for a violation. He read as follows, to show the prescribed formality: "We declare that the foregoing return is made up from the books of the Bank, and that it is correct, to the best of our knowledge and belief, and the bank never held less than one third of its cash in Dominion Notes." The return was required to be made in February, 1879. It was made up from the balance sheets of the different branches, and it was absolutely requisite under the Statute that this return should be sent in previous to February 10th. It was made according to the ordinary custom of banks, and, as has been shown, according to the custom of other banks. The different branches and separate agencies each made up their balances, the head offices accepting the condition of each of these branches. It was impossible to verify all these returns and count the money of the bank in order to be certain of the correctness of the returns from the subordinate banks, as this work would take more than the ten days' grace allowed in which to furnish the return due on the first of the month. From the evidence, it appeared that the balance sheets were received at the bank on the third or fourth day of each month, in the head office. Then this was confided to the inspector, who handed them to the chief accountant who arranged

these different balances under the heads in which, in his opinion, each item should come, and these returns were then entered in one of the books, and from that book was drafted that return which was sent to the Government. It was then, according to the general practice of the bank, as Mr. Pridham had sworn, given to the general manager, who, having examined it and convinced himself that it was correct, handed it to the President, who signed it. Mr. Pridham swore positively that the return was made out in accordance with the general custom, from the books of the bank, and in accordance with the balance sheets forwarded to him. He continued, it might be presumed that the President could investigate the condition of the bank, go over and check each item in these returns. But you have it in evidence that that would be simply impossible. The books of the bank are scattered all over the Dominion of Canada, and you must come to the conclusion, gentlemen of the jury, that it never was the intention of the Government to have the President of a bank check every item with the whole of the books of the bank, in order to be perfectly certain of the fact that there was no error in any of them. In a large institution such as a bank, it is requisite that there should be dependence placed by the President upon his subordinates, and, as Mr. Pridham says, the responsibility in the bank of making the return rested upon him. He was the party obliged to collect these balance sheets, assemble the figures under the proper heads, and make out the returns. And his responsibility also was limited, because he had to depend upon the returns from the different branches, and, consequently, he looked to each of them for the correctness of statements sent in to him. You will observe, gentlemen of the jury, that it was thus utterly impossible for the President to know whether the returns were correct or incorrect. You must be satisfied that it was impossible for him to do so, either in the branch office or in the Montreal head office, when the books from which the balance sheets were taken could not be reached by him, nor was he expected to do so. How was it possible for the legislature to impose upon him the task of counting the cash, or of verifying the amount of notes under discount, or of seeing that they were correctly reported in the returns? All he could do was to depend upon his sub-officers, and, from the books in which the balance sheets were kept, to satisfy himself that they were correctly reported in the return. The charges in this case are founded upon acts or omissions, it may be said, of the Montreal Branch. In order to support them it must be shown that Sir Francis Hincks knew that the statement in question was false. By the evidence, it may be said, the charges are narrowed down: First—That in the specie, Dominion notes, or Notes of and cheques on other banks—that is to say, in the three first items of assets in the returns—there should be included certain demand notes of private individuals making these demand notes come first, then other specie, Dominion notes, notes of and due other banks. This is founded upon evidence that Mr. Louson held, from the 28th November until the 21st February, demand notes to the extent of $221,000 odd in his cash counted as cash. But it is clearly and conclusively proved that these notes were deducted from the items previous to the making out of the returns and were not calculated therein. Consequently that charge is entirely unfounded. The second charge is, that nothing appeared

under item of liabilities, while $292,000 were due to other banks. Item 8 is couched in the following words, "Due to other Banks in Canada." Now the amounts borrowed from the other banks and outstanding but not due on the 31st January, were $993,776.11, together with interest upon these amounts. Now, it is not shown that any liability was incurred. In fact, so far as the greater number of the loans were concerned, they were deposits on time, and thus they were not notes and were not due. It is pretended that they should have been included in item 8, "Due to other Banks in Canada." It is claimed on the other hand that to have so entered them would have been misleading. In the first place they were not a liability due. Had they been so classed it would have led the public to believe they were exigible. Secondly, it would have been leading the public to believe that the position of the Bank was much worse than it really was. Item 8 was placed opposite to item 4 and was intended to show balances. The practice of banks was not uniform. While the loaning banks generally, almost invariably, included the amount due to them from other banks as "balances due from other banks," the borrowing banks have followed the other system and placed the sum borrowed as under the heading of deposits. Mr. Angus tells you in his evidence that there is a total of difference between these banks of two million dollars since 1878. This shows that the practice is not confined to placing the figures under that heading, but in other deposits payable after notice or on a fixed date. Mr. Grindley also deposed to a similar fact, and in doing so these gentlemen bring to bear upon this point their own personal experience in some of the leading banks in Canada, and also their knowledge of the practice in other banks for a number of years past. Moreover, such an entry would have induced the belief with the Government that a larger proportion of cash was held. Would not this have had a greater effect upon the Government and the people than the heading of the loan under which it was properly classed? It was impossible for the Bank to place loans made to them which were not due under the heading of notes immediately exigible. And in order to fortify my position I refer your Honor to statements of assets Number 14, Notes and Bills discounted, overdue and not specially secured. The use of the word overdue there coupled with the word due shows that loans have a stage of existence previous to their becoming due, which may be described as "not due," "due," and "overdue"—three stages. There is nothing that requires that any statement should have been made of notes due other banks. The third point made by the prosecution is one which I do not think requires much consideration at our hands, that the balances due from other banks in Canada were not given in correct form. Now it was evident that this was the way in which this particular item of returns has always been treated by the returns; and the balance sheets thus forwarded by the bank's officers show conclusively that amount due by and to the Consolidated Bank were not returned; and, therefore, it was a matter of impossibility for the chief accountant, or the manager, to put the balance in the book, in the place in which my learned friend wanted it. Thus, for instance, in Toronto there were $10,000 due to the Consolidated Bank from other banks; the Consolidated Bank owed those banks

$5,000. But, instead of showing the transaction in detail, in that manner, the bank officers merely returned the difference as $5,000—and this principle was followed throughout—so that it was impossible to give the indebtedness of the Consolidated Bank to other banks and of others to the Consolidated Bank. All they could do was to make the return as it was done. It has been the very same custom in the clearing house in England, where the bank's practice is to strike a balance between banks, and the bank owing the money at the close of business was charged with the balance. This is the practice, even in the most prosperous condition of things, and, therefore, it is impossible for you to consider this charge as having any foundation. The fourth charge is that demand notes, to the amount of $221,495, were included among the notes discounted and current, while they were only discounted in February, 1879, after the making of the Government return. Of all futile arguments, this is the most futile I have ever heard in a Court. I should be inclined to say that when an amount of interest is carried to the credit of a man's account, it is virtually easing the account. And can it be pretended that Mr. Renny, for his own purposes, to blindfold the President, did not treat them in this way, which is to treat them as cash? The fact is shown that they were actually put back among the notes every evening; and can it be pretended that he did not actually blindfold the president and directors? These notes were actually included among the discounts. Can it be pretended that the President should have gone down from the head office into the bank and counted the notes discounted and the notes not discounted? Had he not to depend upon the officers of the Bank for his information? Can it be pretended that he counted them himself, and that he should have known where the deposits should have been? Can it be held to be showing that he knew these were included in the amounts discounted? But I maintain that these demand notes carried from the 20th of September were virtually cashed, and were properly included in the return under the heading "Notes discounted and current." The fifth charge is that certain notes given as collateral security were included among the assets, No. 13, "Balances discounted and current." The same argument, to a certain extent, applies to this as to the last charge. But I maintain that these notes were properly included under that heading, and I have no difficulty in showing you, gentlemen of the jury, that that was the proper way to treat the item. A note given as collateral security remains the property of the person who gives it until the debt falls due. It is sent out as being special security for the debt—given as collateral security. The principle of our law is that all a man's property is pledged to his creditors. This is nothing less than transferring to a creditor the amount due to him. Now, thus taking the $352,000 given to the Bank of British North America as security for the loan made by that Bank to the Consolidated, you will observe that the loan as made by the Consolidated figured among the liabilities of the Consolidated to the extent of $456,000. If $352,000 had been taken out of the assets, I would ask any man whether the liability would have been represented not as being $407,000, but as being $759,000? Thus it would have been a deception, and would have made the condition of the Bank worse than

it really was. The same rule applies with regard to the Bank of Montreal. Take another case in item 17 of the assets—the Bank promises Government security for $700,000. Would it be obliged to pay? Does not the Bank promise so much? I do not think that any pretension such as that should obtain for a moment, because it would have the intention of depleting the size of a loan for which a mortgage had been given. The last charge is that certain overdrawn accounts to the amount of over $500,000 were included in item 13, under the heading "Notes and bills discounted and current." You have all heard the evidence—that it is entirely the evidence of the prosecution. The evidence of bankers and experts as part of the prosecution makes a good case for the defence. You have heard the evidence given in a case very similar to this, in which there were overdrawn accounts. The actual place, as has been shown, wherein to place this was under the item No. 13, "Notes discounted and current." This, moreover, has always been the practice of the Consolidated Bank, and had been the rule when it was the old Royal Canadian Bank; it is the practice carried on to-day in the Consolidated Bank. Consequently, there has been no change in Sir Francis Hincks' method of doing his work, and his return would only have been following the same practice he had followed during the number of years of its prosperity. I think that these are the main charges, and that I have disposed of them satisfactorily. But apart from, and even if it was proved that there had been a false statement issued, it would have been requisite to show that this statement was not correct, and that it was so according to the knowledge and belief of Sir Francis Hincks; and you cannot bring him in guilty unless you have proved that such were the facts. I say—First. That the statement is presumed to be correct until all its statements are proved to be false. Secondly. It is incumbent upon the prosecution to prove the falsity of the statements alleged. Thirdly. The prosecution must prove that each statement proven false was wilfully false. Fourthly. That is was so made with intent to deceive or mislead the public. Fifthly. The fact that any one statement being false, coupled with proof that it was made knowingly, was sufficient to support the charge. Sixthly. What are the principles that are to govern the case, and that are to be laid down?

His Honor called Mr. Kerr's attention to clause 62, and read therefrom.

Mr. Kerr.—I do not see, your Honor, that that can be held to govern a criminal case, although the Legislature does some extraordinary things in face of *Magna Charta*. No Court could have done such a thing.

His Honor—I do not call this a precedent, and such legislation is really very loose.

Mr. Ritchie—Sir Francis will think it too tight.

His Honor—I think it rather vague and loose legislation; there is too much ambiguity about it.

His Honor then drew attention to the words "held to be wilfully made," and said he would like to have the meaning of the word "held" made clear, as it would make some difference if the jury were told that the word "held" made proof that Sir Francis did know of the falsity of the statement.

Mr. KERR—No, your Honor. The fact that he intended to mislead or deceive must be shown.

His HONOR—Then he is supposed to have had no knowledge.

Mr. KERR—It is incumbent upon the prosecution to prove that he wilfully and falsely made the statement for the purpose of benefiting himself. Our legislation is to some extent jumbled up.

His HONOR—Oh ! so it is.

Mr. KERR—We declare that the foregoing return is made up from the books of the Bank, and that it is correct to the best of our knowledge and belief. That is all that is required.

His HONOR—Yes ; you hold that the certificate modifies the responsibility.

Mr. KERR—I think the book was produced. The fact is, there was a misrepresentation about the thing. The book is here.

(The jury were here shown the book which Mr. Kerr held to be a Government statement.)

Mr. KERR—I think, gentlemen, that I have gone over the whole facts of the case. It is useless for me to tell you that a great deal of prejudice has been engendered against the bank. It is hardly necessary to ask you as jurors to render strict justice, or to expect that you should discard from you anything that has been said and written out of Court. The object of the defendant is to have a fair trial. He is conscious of his innocence, and looks forward to an acquittal with certainty, because his conscience is devoid of crime. He knows that if any error unfortunately crept into the return it was not through him—that he was not the guilty party. We have challenged for cause in this case, to have no prejudiced man upon the jury; and I can say, for my client, that he would scorn to be acquitted upon any other ground except because he is innocent of the charge against him.

ADDRESS BY MR. RITCHIE, Q.C.

Mr. RITCHIE, Q. C., replied for the prosecution upon the whole case. He said : Before commenting upon the evidence which has been adduced before you, and which has necessarily been long, and, I fear, somewhat tedious, I wish to narrow down and remove certain portions of the case from your consideration, so that you may see clearly the points upon which the prosecution depends for a verdict. I wish to withdraw any point on which I am not prepared to ask for a verdict against the defendant. It has been stated that it was impossible for the defendant to check over all the returns from the outlying branches and agencies. I think that is quite reasonable. It would be unfair to charge the defendant with anything upon that ground. No discrepancy in the returns coming from any outlying branch has been proved before you. There is another point. Although I think it would have been more correct for the return to have shown how the notes handed over to the lending Banks had been treated, by adding a memorandum to the return, I am not prepared to say that the omission of this makes the return absolutely incorrect. I withdraw everything from the charge as to reports from outlying

agencies, because, as a matter of fact, we have not proved that there was anything wrong in them. Then there is another point. I think that, as business men, you will see that the proper way to do would have been to put down the balances "to" and "from" other banks; but I will not trouble you on that score, and I also withdraw that item. There is another thing. You remember the evidence upon the $221,295 which Mr. Louson carried in his cash; this was supposed to have been shown as cash in the Government return at the end of January. That turns out not to have been the case; these slips were struck out of the cash, so that the case is narrowed down to two items. I make this statement in advance, because I do not wish to urge a single point against the defendant upon which I cannot conscientiously claim a verdict at your hands. I should be unworthy of the position I occupy if I did. The prosecution claim a verdict in this case on the following points: The evidence, which was rather lengthy, has thrown light upon the wretched affairs of the Consolidated Bank on the 31st January last. The Bank appears to have been in a failing condition as far back as November of last year. Up to the end of January it had been obliged to borrow $993,976 to keep open its doors. Now that fact was known to the President; he stated to Mr. Bond, and he stated subsequently at a meeting of shareholders, that he knew of this; and yet we have this deceptive return to the Government. You will observe that these loans were included under the heading, "Other deposits payable after notice or on a fixed date." Did you ever hear of a Bank taking deposits and then handing over their securities to secure these deposits? The thing only requires to be stated, it does not require any argument at all before twelve intelligent men to show that this statement was grossly deceptive. The operation was, no doubt, very profitable to the lending banks, because the misfortune of one bank is the opportunity of another. As much as seven per cent. was paid, and securities to a large amount, handed over to secure these "deposits." The Bank of British North America lent $400,000 near the end of December, with a transfer of notes discounted as collateral security to an amount of upwards of $352,000, and this went under the heading "deposits." You saw the deposit receipts; these amounts were payable without notice, with seven per cent. interest. The loans from the Bank of Montreal were payable on time. The lending banks had no difficulty in classifying these loans, almost the whole of them were placed under this item "Due from other banks;" and Mr. Angus has stated, it appeared by the returns published, that almost two millions were due from banks without showing what banks they were. The evidence of Mr. Cassils, Mr. Bond and Mr. Burnett went to show that they were deceived by this return; and Mr. Angus, although he appeared somewhat as an apologist for statements of this kind, could not deny that they were misleading. What person, knowing that this bank had been, as far back as January, obliged to borrow nearly a million, would have bought its stock or would have kept an account there? It is said that no information could be given; a more monstrous proposition I have never heard in a Court of Justice. Was there any difficulty in putting these loans under No. 11, "Liabilities not included under the foregoing heads?" What objection was there to placing it under that head, with an expla-

nation, if they liked, showing that they were time loans? Surely Sir Francis Hincks could not pretend that he did not know of these loans. He kept up the impression that these were deposits from the public. It was disgraceful in the highest degree to any one who had a hand in the matter. We find, as far back as November, that $221 495 was carr ed in the teller's cash as cash, which was represented by worthless demand notes—the notes of concerns which have since become notoriously insolvent (The learned counsel here enumerated the overdrawn accounts as already published.) How were these treated? At the end of January, after they made these large loans from the Bank of Montreal, the officials found these slips in the cash; and, going from one falsity to another, instead of leaving the amount as "Specie," they put it down as "Discounted notes" at that time; but these notes never were discounted until February following. That fact was shown by the books of the bank. On the 19th February they were found in the teller's cash; they were discounted notes at the end of January, and came back as cash in February. It is not pretended that Sir Francis Hincks was ignorant; that he knew nothing of all this. His learned friend said the President is not obliged to count the cash; but what does this certificate say, which they have signed? They have to make a statement that not less than one-third of cash reserves is held in Dominion notes; how can they say this if they have not counted the cash? But we have something worse than this,—we have overdrawn accounts for $517,372.92, and they were included in the return as "Notes and bills discounted and current." Here is a book (showing the book to the jury) in which these overdrafts are entered. Here they are all in the same column, carried out thus "overdrawn accounts $927,372.92. This return is made up from this book, and can it be said the said the President knew nothing about this? We had all this worthless trash of nearly a million dollars, as to which there is not a hint given in the return. To represent the amount of $517,372.92 of overdrawn accounts, there was not a scrap of paper in the shape of a bill or note. The "demand notes" which figured according to the exigency of the case, either as "cash" or "notes discounted," were never discounted until between the 20th and 24th February last, as appears by the Statement Book laid before the Directors at their meetings, and which has the handwriting of Sir Francis Hincks on the page where these discounts appear. In the face of such evidence, how is it possible to characterize the return in question otherwise than as wilfully false and deceptive?

I now come to the defence, if such it can be called, that has been offered on behalf of the defendant. It amounts to little more than an excuse, upon the ground that other Bank officials had done the same thing,—a fact which has been proved in a very vague and general way. The evidence of Mr. ANGUS, the principal witness on behalf of the defendant, is claimed as supporting the defence. When carefully analyzed, however, it is strongly in favour of the prosecution. Mr. Angus states in reference to the "loans," that while according to prevailing practice, they might (he thought properly) appear as "deposits," he should have preferred to place them in the return under "Other liabilities not included under the foregoing heads," With reference to the "overdrawn accounts" en-

tered as "Notes and bills discounted," Mr. ANGUS had never, in his experience, had to deal with any but trifling and exceptional amounts. These, when directly connected with a customer's discounts, are entered in the return (although he could not say it was correct to do so.) among the current discounted notes. If he had had to deal with the enormous overdrafts which were in the Consolidated Bank, at the end of January, he would have written them off, or have placed them in the return under the head "Other assets not included under the foregoing heads." When one of the jury asked Mr. Angus, "Who is responsible for the correctness of the returns to Government?" he answered very properly, "The President and General Manager," and explained with what care the returns of the Bank of Montreal are made up by the President and himself. I now came to the evidence of the only other witness, brought forward for the defence, that of Mr. INGRAM, Assistant General Manager of the Merchants Bank, a very extraordinary witness indeed. This grandiloquent banker, who comes from the city of Glasgow, *viâ* London and New York, to Montreal, does not find the form of return prescribed "superlatively excellent." In fact he thought the form defective and one that did not afford the proper means of giving information. Mr. Ingram is still a very young man, but he has had great experience in banking. He gave his evidence with an assurance which did him little credit. When I asked him what there was to prevent the loans to the amount of $993,976 being placed under the head "Other liabilities, &c.," with a memorandum added — "namely, time loans from other Banks," he answered glibly, "That would be a violation of the statute." That was his legal opinion. In giving it, Mr. Ingram forgot, if he ever knew, that there is a wise provision of our law, which declares that, where forms are prescribed, they may be varied so long as they are not used to mislead. Mr. Ingram's "opinions" upon law and banking, appear to be of equal value. When asked whether the "demand notes," "overdrawn accounts" and other trash, amounting in all to upwards of $927,000, ought not to have appeared in the return under "Other assets not included under the foregoing heads," the poor man fairly broke down. The item "other assets" was a "sore point" with bankers, and they would like to dispense with it. You will have no difficulty in dealing with such evidence as that.

The case for the prosecution has been fully made out. The return has been proved to be wilfully false and deceptive. The excuse set up is no defence at all. Sir Francis Hincks, who, whatever else might be said of him, had always had the courage of his convictions, and of his actions as well, was not a man to follow the lead of any other banker in making up these returns. He knew the law well, having been Minister of Finance when the Banking Act of 1871 was passed.

GENTLEMEN, I will not detain you longer. The case of the prosecution is supported by the clearest possible evidence. You have on each side of the return amounts of nearly a million dollars improperly entered, and in a way to mislead the Government and the public. A more deceptive return could hardly be imagined. You have a painful duty to perform, but I do not believe you will flinch from its performance. I trust to your firmness and intelligence for such a verdict as shall satisfy the

demands of public justice, and, what is of more importance to you, as shall satisfy your own consciences, and as shall fulfil the solemn oath you have taken to render a true verdict according to the evidence.

THE JUDGE'S CHARGE.

His Honor Judge MONK then addressed the jury. He complimented them on the attention they had given to the case, and traced the history of the transaction from its commencement. The accused was charged with having made a wilfully false and deceptive return on the 31st of January, 1878. It was shown that, had not the bank borrowed between October 24th and January 31st of that year, nearly a million of dollars, it would have closed on the 31st October, and a great deal of the distress and suffering caused would have been obviated. He mentioned this to show that the jury must not regard this except as outside of and foreign to the evidence. They must come into Court and give a verdict upon the evidence, and not with any thought or prejudice otherwise than as to the law of the case. The accused was advanced in life, a man of eminent character, a politician who had occupied positions of great trust. Notwithstanding his high position they must treat his case as if he were an ordinary man, and must exclude any feeling in his favour on account of the high position he had previously held in the country. But there was another question that they must not discard—the character of the man. He was a man against whose character the learned Judge had never heard any reflection. He was bound to tell the jury that that was a fact they must take into consideration, and, while on the one hand they must exclude his high position, they must also take into consideration, in disposing of the case, the high character he enjoyed. He gave them his opinion as to bank directors, although they were doubtless as well aware of it as he was himself. They were selected for their position, high character, wealth, and public confidence in their integrity. Let none suppose for a single moment that they were selected to give the details of the bank's business their attention, or in any way to look into discounts or anything else. There were certain officials whose business was to do that. In the first place there was a paid President and a paid Manager, whose business it was to do that. An ordinary director had confidence, and must have confidence, in his co-directors until those co-directors had proved themselves unworthy of his confidence, until there was something wrong. He made these remarks because they had come to another important point—the consideration of the President. He might tell them that the President in some cases was selected not upon precisely the same ground as other directors. It was just as well for them to bear in mind that presidents were selected for their special aptitude for the business of the bank, and were expected to devote their time in some part, if not all their time, to the bank's business. The shareholders having selected a President, they paid him a salary, and he became in fact a paid official of the bank. In the present instance Sir Francis Hincks was selected for his eminent character and his high ability and skill in finance, to inspire confidence in the minds of the public, and to give a guarantee of

success to the bank. He was to have been remunerated; he was remunerated. His position was in some degree different from that of other directors. He was bound to know the details of what was going on in the bank. In regard to the matter of headings, Sir Francis Hincks held the position of President, and had access to the bank. The gentlemen of the jury might hold the opinion that Sir Francis Hincks was not different from an ordinary bank officer. It was for them to say so. If they thought him a paid officer of the bank then they might attach what importance they thought proper to the obligation resting upon him. With these remarks he came to the question, first, whether the returns were false and deceptive; that was the first point they had to determine. The counsel for the prosecution had withdrawn some of the items in the indictment, two or three in all. He would not go over the figures; they had already done that. He would call their attention to these loans from other banks. Now, the statement was either true or false. If they found it was true in regard to the first item, then they would say there was no ground for the charge. In regard to this matter of loans from other banks, was it false and deceptive and calculated to deceive the public? He thought they had had ample evidence upon which to form their own opinion. They had heard that the loans were made, and of the extent also. They understood that one of these loans was to the extent of some hundreds of thousands of dollars, and that discounted paper was delivered as collateral security, and the fact was these were in reality loans to the bank. Now, if they were loans and nothing else, and the bank thought proper to give receipts, and the leading banks thought proper to take them, it was all right; it did not alter the case at all. It was competent for these banks to take deposit receipts, but as he said before, the transaction was the same—simply a loan and nothing else. A good deal had been said by the defence about the loans not having been due and payable, and that they should not have been entered as amounts due to other banks. It was for the jury to say whether they were or not. If the jury was satisfied that these things should have been entered as loans, to the bank, and if they were really loans they would thus say that the return was false, because it was a liability, and was not stated as such at all. He did not wish to enlarge upon the consequences of a false return. It was for the jury to come to the conclusion that these were not ordinary deposits. If they were loans from banks they could not be deposits, and if they were not deposits then they were placed upon the return where they did not belong. He did not know where they should have been entered or when they should have been due. He would not tell the jury what would have been the correct place to put them, or that he thought these deposits were loans, and that having been entered as deposits the returns were false. He would leave that to themselves to determine from their own deliberations. He would pass on to the next. It was contended that there were included in the next item a large amount of demand notes, and not only that, but that in reality at the time this return was made these demand notes were discounted. If the jury found from the evidence that this was not the fact, that at the time this return was made they were not discounted—if they were discounted between

the 20th and 24th of February, and the return made on the 18th of that month—if they could do so they had a perfect right to do so, if they did not, however, he could not see how they could call it true and faithful returns. It was an error, false and contrary to law. That was a point for their consideration, and he merely intimated his impression. He now came to the overdue balances, and as they knew all about them they could do what their consciences justified them in doing. It was at all events to him an extraordinary place to find them entered in No. 13. He thought it did not represent the true state of things. He had no desire to dwell longer upon the correctness or falsity of the particulars to which he referred. The jury had to ascertain whether they were false or deceptive, but having done that something else remained behind. Assuming that it was false, they had to ascertain whether it was wilfully made, and if they were of opinion that the accused was deceived or misled, that he had consented to the return in good faith and knew nothing of its falsity, and in doing all this had exercised the diligence which he should have exercised as a paid President, although the return might be false, they would have to acquit him. If, on the other hand, taking into consideration the fact that he was a paid President of the bank, had access to it, and should have known where he stood, and was thus responsible; if they believed that he acted with a gross, criminal negligence their duty was plain. If, as proven, they should think Sir Francis had been misled by the usage of other bank presidents, even if this was the case the return was false and deceptive. Let them take up the question of loans; was he aware that they were discounted? Did he know that the bank was borrowing money from October until December to keep its doors open? Did the jury imagine for a single moment that he did not know these things? He was at the head office; could a loan of nearly a million dollars have been made and the President of the bank not know it? If he did not know it, the return was false and he should not have signed it. Then with regard to the question of discounts. Did the jury think for a moment that, as President of the bank, under the responsibility resting upon him, he did not know about them? Was he entirely ignorant that the demand notes were in reality not discounted? It was extraordinary if he did not know. To say that he did not know was going very far; to say that he did know was the only reasonable impression. It was so held in the City of Glasgow Bank case. It was most difficult to prove in a case such as that against Sir Francis that he knew all about it, but they must consider that from his position he should have known of these transactions, and they had a right to infer that he did know, and in that way they could bring the knowledge home to the accused. There was another side issue about deposits that he need not refer to. There might be no doubt that he knew the returns were false, and it was for the jury to determine this. They knew their obligation, and the law had been explained to them. He would not say that he made the false returns, if he made them at all, to deceive the people, but to inspire in the minds of the public a feeling of confidence in his bank. The intention was good for the bank, but there was the other consideration—the public. Of these third parties a good many were deceived. It was to them of a most fatal and ruinous character. If the jury found that he

had made these false returns, even if only in the hope that it would float or tide over the bank, then their duty was a painful one to find him guilty. The evidence of Mr. Angus and Mr. Ingram, the last of whom said that the return could have been made in no other way, was good as far as it went; but it amounted to nothing. They had not told of one bank which did the same thing. Do you suppose that if any of their banks owed five millions that it would not have left a blank? But this had not been established, and even if it had, I should have been bound to tell you it was a flagrant violation of the law, which no general usage or practice would have justified. Having again called upon the jury to exclude all extraneous matter from their minds in dealing with the question, he complimented both counsel on the decorum observed throughout the case, and submitted it to the jury, confident that they would bring in a verdict in accordanee with their oath, the evidence in the case, and their intelligent sense of justice and right.

THE VERDICT.

After an absence of about two hours the jury returned into Court with a verdict of Guilty, Sir Francis Hincks being allowed to remain out on his personal recognizances.

Mr. KERR moved that certain points be reserved and laid before the Court of Queen's Bench in Appeal.

HIS HONOUR took the motion *en delibere*.

MOTION IN ARREST OF JUDGMENT.

In the Court of Queen's Bench, Mr. Justice Monk presiding, Mr. Kerr on the 24th October said:—In the case of the Queen against Sir Francis Hincks I have the honor to present to the Court two motions, as follows: On behalf of Sir Francis Hincks, one of the defendants in this matter, that the judgment on the verdict rendered against him, the said Sir Francis Hincks, by the jury empannelled to try the issue between our Sovereign Lady the Queen and him, on this indictment, be arrested, that all the proceedings since the plea of "not guilty" by him be set aside, and judgment of acquittal be given for the following amongst other reasons:—

1st. Because there is no allegation in the indictment that the said Act or any Act in the Dominion of Canada applies to the Consolidated Bank of Canada.

2nd. Because it does not appear in the said indictment that the said Act or any Act of the Dominion of Canada applies to the Consolidated Bank of Canada.

3rd. Because each of the false statements alleged in the return is, if false and deceptive, a misdemeanor of itself and each such misdemeanor should be subject of one count, whereas there are over six misdemeanors alleged in the sole count contained in the indictment.

4th. Because it is not therein alleged that the return which is said to contain false and deceptive statements was a return to the Government.

5th. Because it is not alleged that the return was published or made known to the public.

6th. Because it is not alleged that Sir Francis Hincks was a director of a Bank, to which the Banking Acts apply.

MOTION TO HAVE POINTS RESERVED.

Mr. KERR also moved, on the part of the defendant, Sir Francis Hincks, that the following points decided by the learned Judge, presiding at the trial of the said defendant, be reserved for the consideration of the Court of Queen's Bench, Appeal side.

1st. That item 8 (Due to other Banks in Canada) of the liabilities of the Consolidated Bank in the said return was a wilfully false and deceptive statement, nothing being placed under the said item, whilst in reality $993,976.11 loans to the said bank should have been placed under the said item, although the said loans were not then due.

2nd. That item 13 (Notes and Bills discounted and current) of the assets of the said return was a wilfully false and deceptive statement, inasmuch as the demand notes, the amounts of which had been carried to the credit of their makers previous to the first day of January last past, had been falsely included under the said 13th item of the assets in the said return, they having only been passed by the defendant and the directors of the said bank for discount, and actually discounted on the 24th February, 1879.

3rd. That item 13 (Notes and Bills discounted and current) of the assets was a wilfully false and deceptive statement, inasmuch as there were included therein $907,000 of over drafts, which had never been represented by bills or notes discounted and current on the 31st January, 1879.

4th. That although R. B. Angus and W. J. Ingram, bankers, witnesses for the defence, proved that there was great variety in the practice of banks throughout the Dominion, and great doubt existed, yet, that banks borrowing moneys on time had been in the habit generally of including such loans under item 6 (other deposits payable on demand) and 7 (other deposits payable after notice or on a fixed day), of the liabilities in their return, and of always including overdrafts not secured under item 13, "notes and bills discounted and current," such practices did not constitute a usage and formed no grounds of excuse for the acts complained of, and did not destroy the presumption of criminal intent on the part of the said defendant in signing such returns.

Mr. KERR—It is hardly necessary for me, your Honor, to say anything in regard to the importance of the case, and the respectability of the defendant, but I think that it is only due to my client, and the public in general, to remind you that the practice in banks at present is excessively loose. The grounds urged by us in arrest of judgment I have just

read. I feel assured that you will give them the consideration they deserve.

Mr. RITCHIE—I would merely say, in reply to the learned counsel's remarks, that the verdict in the case he refers to has been rendered by a jury, as we all know, of very great intelligence. So far as my own part in this trial is concerned, my desire is that the defendant should have a fair and impartial trial. If, however, your Honor can see your way clear in reserving the points, I have no desire whatever to place the slightest obstacle in the path of the defendant to have the case reconsidered. I may, perhaps, refer with propriety to what was done in the case against Cotte, of the Bank Jacques Cartier, in which I conducted the prosecution. The same action as the counsel for the defence, is taking at present, was instituted by Cotte's defence, with what result your Honour is aware. Although Mr. Justice McKay at first thought he would consider the points, they were afterwards dismissed.

Mr. KERR—Your Honour, I don't think the Cotte case has any bearing on this. Cotte was merely the cashier.

Mr. RITCHIE—In the Court of Appeals, where your Honour will be present, the legal atmosphere will be perfectly clear. Five learned judges will give the defence every opportunity of arguing the case.

His HONOUR—I would feel inclined at present, and I think it is but fair, to reserve the case.

Mr. RITCHIE—The *Montreal Herald* and the *Witness*, have very properly abstained from making any observations in this case, but the *Gazette*, perhaps, with a desire to follow the same wise course, but not succeeding so well, has published an article, in which it says, "That it seemed somewhat strange that the trial should have gone on in the presence of a public sentiment, or more properly of a public excitement, which makes it somewhat difficult to secure a calm and judical enquiry into the case." Now whoever wrote that article ——

His HONOUR—I must discountenance any discussion in Court of the observations made in the leading articles of the papers.

Mr. RITCHIE—I find, too, that the interviewer has been very busy, according to another paper.

His HONOUR—Every man is entitled to his opinions, and to express them if he thinks proper; but whether it is wise or not, for them to allow their opinions to be published, is their own business. That is their business; they are responsible for the publication of their own opinions. I don't see that the time of the Court, should be wasted in a discussion of this kind. The jury have done their duty; they have acted under a complete sense of their duty.

Mr. KERR—I would like to say something in reference to the remarks made by Mr. Ritchie.

MR. RITCHIE—Oh, if my friend is going to reply, I should like to say all I had to say.

His HONOUR—What do you propose?

Mr. RITCHIE—To bring under the attention of the Court—I think it right to call the attention of the Court to these remarks of the press—I think it will serve a wholesome purpose. The late Lord Campbell, when he published his biographies of certain eminent persons, is said to have added a new terror to death.

HIS HONOUR—A new terror to what?

MR. RITCHIE—A new terror to death.

HIS HONOUR—I think it would be difficult to do that.

MR. RITCHIE—Our modern interviewer adds a new terror to the living.

HIS HONOUR—I don't suppose it is necessary, Mr. Ritchie, to take up the time of the Court with the discussion of such a subject. Mr. Ritchie then resumed his seat.

MR. KERR—Your Honour will observe that Cotté's case was a different case to this case. Cotté was the Cashier of the Bank, and the decision of the Court was simply upon the points reserved by Mr. Justice Ramsay, and actually submitted by him to the consideration of the Court. The points I wish to have reserved are not only the points set out in our demurrer and motion to quash but also the points raised at the trial, and the points that your Honour mentioned, that loans should go under certain headings.

HIS HONOUR—We will discuss the points to be reserved in Chambers. I will see you and Mr. Ritchie in my Chambers and settle as to reserving any points that may be doubtful in my own mind. What day shall we say? However, during the interval between now and the end of the term, Mr. Ritchie and Mr. Kerr can see me in Chambers, and we can discuss the matter, and decide what points shall be reserved.

THE POINTS RESERVED.

On the 30th October His HONOUR rendered judgment on two motions made by Mr. Kerr, in the case of Sir Francis Hincks, granting the first, to reserve certain points raised at the trial for the decision of the Court of Appeal, and rejecting the second, which was a motion in arrest of judgment. His Honour said three points merely of law were reserved. The first point was in regard to loans from other banks assuming the character of cheques and being entered in the return as deposits and sanctioned. Of course, it would be necessary to see the evidence to give the position of such facts and of such reservation. The next point was in regard to demand notes, that they were carried and put among the discounts, and then placed under the item "bills and notes discounted and current." The third point was that overdrafts were put under the item "bills and notes discounted and current." It had been submitted to the Court that there was an error here, and the points had been specifically reserved in such a way as to bring up pure questions of law.

Sir FRANCIS HINCKS then renewed his bail to appear before the Court on the 24th March, being the first day of next term.

SIR FRANCIS HINCKS AND MR. SAUNDERS.

The following correspondence appeared in the different papers, immediately after the Special General Meeting of the Bank :—

SIR,—The absence of anything like order or calm deliberation at the meeting of the Consolidated Bank on the 18th instant—the only one which I attended—rendered it impossible for many to obtain a full hearing for what they desire to say. As I consider that I especially suffer from this cause I desire that you would enable me, by the means of your columns, to give a yet more thorough and emphatic denial than I was enabled to do at that meeting to statements made by Sir Francis Hincks respecting me—statements based on an utter perversion of facts, and put forth, not in the interests of the stockholders, but with no higher motive than still further to poison their minds against me. I say "still further," because friends had made me aware that previous to the meeting Sir Francis had been doing his best to create a strong prejudice against me—with what effect, however, was shown at the meeting by the large vote recorded for me, exceeding that cast for him, notwithstanding that some excited individuals of both sexes succumbed to the blandishments of Sir Francis, and elected themselves his most obedient echoes. I can conscientiously aver that the only reason for my having incurred his displeasure is that a body of the largest holders of stock, men of the highest status and of unimpeachable integrity, thought sufficiently well of my capacity and principles—and I am proud to be assured by them that they think as well of them now—as to deem me worthy of a position on the bank directorate. They demanded this of Sir Francis and the old Board of Directors, who found it expedient to comply with the demand. But from this time, Sir Francis looked upon this party of stockholders, including myself, as intending to make his tenure of office as short as possible. Hence his attitude towards me at the meetings. I, on my part, however, have never for one moment imputed to him, as others have done, any personal or dishonorable motive in permitting the state of things I found. And I am therefore justified in saying that the instincts of a gentleman, if not his duties as a chairman, should have restrained him from his persistent attempts to colour with the darkest hues everything he uttered respecting me at both meetings, more especially at the one from which I was absent. Sir Francis Hincks was pleased to say before the close of the proceedings that "no responsibility attaches to Mr. Saunders since he became a director." I might then reasonably be considered as exempt from the duty of defending transactions for which I am not at all responsible to stockholders; but I am perfectly content to consider the tortuous windings and misrepresentations of Sir Francis, even with regard to these. First, then, respecting "the London and Paris House," in Toronto. Sir Francis charges me with instigating the purchase of the estate. I totally deny that the suggestion originated with me. I certainly was consulted in the matter, but

not until the intended purchase was decided on. At the meeting of the 18th inst., I denied the assertion of the President that there existed any document which declared anything else than what I have just stated, because I knew of none signed either by the Bank or by myself. And when the paper was produced, which Sir Francis so tragically fingered, he knew that it was nothing but a mere copy of instructions from Mr. Renny to be sent to Mr. McCracken. This deadly weapon, brought in his pocket with so much righteous forethought to annihilate me, furnishes another proof of his consummate abilities as an "old politician." Sir Francis further stated that it was I "who bought the stock and received $40,000 for $27,000!" Sir Francis would thus make the public believe that I made $13,000 out of the transaction! There is not one particle of truth in his statement; it is entirely an hallucination of Sir Francis' fertile brain, because I never received one cent of this, only three hundred and five dollars ($305), and this amount was for goods supplied from our establishment. Next, Sir Francis states at the meeting of the 19th inst., in substance, that during my absence from Montreal the Bank discovered that a quantity of goods had been sent from Ascher & Co. to various persons, among others to me, and the moment the Directors were aware of this they determined to put the affair into insolvency. In reply I have to say that Sir Francis' discovery is—a mare's nest. The true facts are these: During the winter, goods were transferred to me, with the bank's knowledge, in security for a loan of $1,800 odd, which was paid me in June by the bank's cashing Ascher's cheque, when the goods in question were re-transferred by me to the bank, no goods having been received since then. It seems difficult to reconcile these facts with the President's statements, that this transaction was only discovered during my absence. I left for Halifax about the 19th July, and the bank had been in possession of the goods since the beginning of June. With regard to Bank shares, I may say that last winter Messrs. Ascher informed me that they had transferred (not "fifty" but) seventy-five shares of Consolidated Stock. Against these there is a lien much more than the present value of the stock, and as to having threatened to throw my stock on the market if the Bank did not extend the credit of Ascher & Co., I have already given a denial to this charge at the meeting; and in fact, it will appear too absurd to a business man for further comment. Sir Francis is reported on the 19th inst. to have remarked, "I did not say that Mr. Saunders recommended a credit, I merely said that Mr. Renny had stated that Mr. S. expressed his belief in the solvency of the firm." In reply to this assertion of Sir Francis, I would merely say that I never expressed any such belief. Regarding my inspectorship to the Ascher estate, this was suggested by Mr. P. S. Ross, official assignee, but declined by me, and I proposed Mr. Campbell, manager of the bank, in my stead, and he and two others were appointed. It was only when the business of the meeting was nearly ended that my name was added to the list; but I soon after resigned. Having now replied to the charges of Sir Francis Hincks, I would say, in conclusion, that while he showed so much solicitude at the meeting to defend one of the Directors, who was one of his supporters, he could not find a single word to utter with reference to the services I have rendered the Institution during my term of

office. He would not say whether I have or have not zealously devoted most of my time to the interests of the Bank—whether it was or was not my earnest desire to resuscitate it and place it in a good position. He would not tax his memory with the further awkward fact, which, however, is well known to the community, that I am one among the largest losers by the Bank, being a member of the syndicate formed for the purchase of a large quantity of the stock. I have, however, the consolation of knowing that, in retiring from my onerous trust, I have to the very best of my ability discharged my duty to those who appointed me, and with the best interests of the Bank always kept steadily in view.

I am, sir, yours obediently,

A. SAUNDERS.

MONTREAL, Sept. 22, 1879.

SIR FRANCIS REPLIES.

SIR,—The very serious charges preferred against me by Mr. A. Saunders, in a letter published in your issue of this day, must be my apology for trespassing on your columns. Mr. Saunders alleges that, at the late meeting of the shareholders of the Consolidated Bank, I made "statements based on an utter perversion of facts," and that my motive was "further to poison their minds against me." He then alleges that, "previous to the meeting," friends had made him aware that I had been doing my best to create a strong prejudice against him. With regard to my statements, I affirm that I made none that I shall not be able to substantiate, and as to my assumed motives, and alleged misrepresentation of Mr. Saunders, I can only express my hope that the public will receive with distrust Mr. Saunders' interpretation of my motives, and will require from him proof of his allegation, that I tried "to create a prejudice against him." Let him give the names of the friends from whom he derived his information, and the facts on which they justified their charge Having stated so much with regard to the general charges, I shall proceed to what is specific. In my opening remarks I made no allusion whatever to Mr. Saunders, and those present at the meeting cannot have forgotten the hasty manner in which the original resolution, preparad by the friends of Mr. Saunders, was moved prior to the discussion of the affairs of the Bank. It would certainly be imagined, by any reader of Mr. Saunders' letter, that I had volunteered to attack him with reference to the purchase of the London and Paris House, and yet he could easily have ascertained from Mr. Cleghorne, who made the enquiry, that I had held no communication whatever with him on the subject. I can make the same assertion with reference to the other questions which were put to me. I would ask an impartial public, nay even Mr. Saunders himself, what course I could have pursued other than that which I adopted? Should I have refused to answer the question put to me? But I am charged with misrepresentation. To that charge, I shall reply. Mr. Saunders states:—"I certainly was consulted in the matter, *but not until*

the intended purchase was decided on." Does Mr. Saunders mean to convey the idea that Mr. Renny, the late General Manager, *originated the idea* of purchasing a bankrupt estate in Toronto, consisting of goods of which he knew nothing, and at the risk of the Bank? I never asserted that the scheme *originated* with Mr. Saunders. It is far from improbable that Mr. Ascher may have been its author. What I asserted, and what I still affirm, was that Mr. Saunders strongly advised Mr. Renny to enter into this most irregular transaction. When Mr. Saunders attempted to deny my assertion, which was based on a memorandum in Mr. Saunders' own hand-writing, I was compelled to produce the document in my own defence, but it so happened that instead of bringing it in my pocket, I was not aware until after I made my statement that it was lying on the table beside me. It was not brought to the meeting by me. The document has been printed and speaks for itself. I never attempted to convey the idea that Mr. Saunders made the difference between $27,000 and $40,000 out of the transaction. He himself, as I understood him, alleged that he had bought goods worth $40,000 for $27,000, but I could not have referred to any such figures as $40,000. I deny most emphatically that I made any statement which is not supported by the printed documents with reference to the London and Paris House at Toronto. I proceed to the next statement of Mr. Saunders, which has reference to the transference of goods, originally belonging to Messrs. Ascher & Co., from the warehouse of Messrs. Furniss & Co., to various persons. At the moment I could not recollect the names, and I avail myself of this opportunity of stating that if I named Mr. Sternberg, of which I have no recollection, but which I am reported to have done, no goods appear to have been delivered to him according to Mr. Furniss' statement. I made no charge against Mr. Saunders in connection with this matter. I did state as a fact, which would be confirmed by all the Directors, that after Mr. Saunders' departure for Halifax, about the 19th of July, a statement was obtained, which is before me, as I write, in which Messrs. Furniss & Co. account for a large amount of goods exceeding in value $100,000, and that it was stated to the Directors that Mr. Saunders, who had undertaken to examine the Ascher accounts, had been aware of these transfers prior to his departure. The Ascher estate is so complicated, and the difficulties so great in ascertaining the nature and extent of the losses, that I certainly should hesitate to make charges against any of the transferees in connection with it. With regard to the transfer of Bank shares which I stated as 50, and which Mr. Saunders alleges to have been 75, I repeat the assertion which I made at the meeting, and to make assurance doubly sure, I have again examined the transfer book and stock ledger. The 75 shares are a myth. Mr Saunders had 9 shares at his credit prior to 3rd December, 1878, on which day Messrs. Macdougall, Brothers transferred 50 shares to the order of Mr. Ascher, which were paid for, with Mr. Renny's sanction, by a cheque on the Consolidated Bank. This stock Mr. Ascher assigned to Mr. Saunders, who accepted the transfer, the practical effect being that Mr. Saunders got 50 shares of stock which the Bank paid for. I have reason to believe that Mr. Renny complained bitterly of the transaction. I have never asserted that this was an arranged plot between Mr. Ascher and Mr. Saunders, nor do I pretend

that the former was not indebted to the latter at the time. I gave the facts precisely as they appear on the books, and I may add that there was no transfer of 25 shares to Mr. Saunders at or about that time. I never made any such statement as that Mr. Saunders threatened Mr. Renny to throw his stock on the market unless he extended the credit of Ascher & Co. I admit that I myself was informed that Mr. Morgan had alleged that he heard such a threat made, but as I have no proof I never repeated the statement, and certainly said nothing on the subject at the meeting. The question as to this threat was made direct to Mr. Saunders by Mr. Hollis, and was denied by him, but I did not interfere at all. With regard to my statement that Mr. Saunders had expressed to Mr. Renny his high opinion of Messrs. Ascher & Co., I have only to affirm that Mr. Renny has so asserted. As to the inspectorship of the Ascher estate, all I said on that subject was that the Directors had not approved of the arrangements sanctioned by Mr. Saunders. I have now disposed of the various charges preferred by Mr. Saunders against me, while pretending to reply to charges which he states to have been brought by me, but which were, in truth, correct answers to questions put by shareholders, and to which I could not refuse an answer.

Montreal, Sept. 23rd, 1879. F. HINCKS.

COMMUNICATIONS.

THE CONSOLIDATED BANK OF CANADA.

MONTREAL, 6th October, 1879.

Thos. W. Ritchie, Esq., Q.C., City.

DEAR SIR,—I have been requested by Mr. Hagar to hand you the accompanying copy of a resolution passed at the Special General Meeting of the Bank held 18th and 19th ult.

Your obedient servant,
(Signed) CHAS. H. WETHAY,
Asst. Mgr.

[ENCLOSURE.]

Moved by Mr. C. Ilsley, seconded by Miss Macdougall :—

"That the following gentlemen, viz, Mr. Thos. W. Ritchie, Q. C., Colonel Turnbull and Alderman C. Hagar, be a committee to draft a petition to the Government on behalf of the shareholders of this Bank for an immediate investigation as to the correctness of the monthly Returns or Statements, sent to the Government by the Directors; also for arrest and punishment for all false statements made by the Directors and Manager of this Bank. Carried.

The above is an extract of the minutes of a Special General Meeting of stockholders of the Consolidated Bank of Canada, held at Montreal 18th and 19th September, 1879.

(Signed CHAS. H. WETHAY.
Secretary.

Consolidated Bank of Canada,
Montreal, 6th October, 1879.

MONTREAL, 8*th October*, 1879.

DEAR SIR,—I have to acknowledge receipt of your letter of the 6th instant, enclosing a resolution passed by the shareholders of the Consolidated Bank at the Special Meeting held on the 18th and 19th ult. Inasmuch as the shareholders at that meeting *virtually re-elected* four of the Directors of the Bank, I must respectfully decline to act upon the committee named by the resolution.

Yours truly,

(Signed) THOS. W. RITCHIE.

CHAS. H. WETHAY, ESQ., *Secretary.*

SIR,—The attribution to me of the *role* of advocate, especially of one of the Directors of, the Consolidated Bank, by the Chairman and others, at a late meeting of shareholders, induces me to explain that I did not desire or intend to shield any one, Jew or Gentile, found to be culpable. Whether in the course of the investigation which took place, and in view of the facts elicited, the individual referred to was found to be wanting, every one who followed the proceedings, either at the meetings or as reported in the journals, can judge. I will, however, venture to say that no person whose record is in any way dubious should be placed in the position of a Bank Director. Further, I hope that ere long voting by proxy will be abolished, and that shareholders of banks and other corporations will have the option either of wholly neglecting their interests or of voting personally for those directors whom they deem *competent* and *trustworthy*, and so annual elections become realities and not the shams they are at present.

H. LYMAN.

Montreal, 20th September, 1879.

CORRESPONDENCE WITH SIR FRANCIS HINCKS.

The following correspondence has appeared in the Hamilton *Spectator*, at the request of Hon. Isaac Buchanan :—

HAMILTON, *October* 20, 1879.

To the Hon. Sir Francis Hincks, Montreal:

I am distressed at the unexpected result, and would value very highly any suggestion how possibly I could serve you in any way, directly or indirectly. I know that it is the system that is to blame and not you, who had no personal motive.

(Signed,) ISAAC BUCHANAN.

REPLY OF SIR FRANCIS HINCKS.

418 St. Antoine Street,
Montreal, 21*st October*, 1879.

My Dear Mr. Buchanan,—Many thanks for your very kind telegram, and for your sympathy with me. You are probably not aware of the facts connected with my case, and I, therefore, will state them to you as an old friend, whose good opinion I desire to retain, as briefly as possible. The charge was making a false return wilfully with the intention of deceiving the Government and the public. Now, the first point is, was the return false? The second, if false, was it wilfully so? You are, no doubt familiar with the heading under which the returns of liabilities and assets are made to the Government. These headings were prepared by a Committee of Bankers, and it is simply absurd to suppose that loans from one bank to another and overdrafts could have escaped the consideration of the House of Commons who considered the subject. They made a heading for "overdrafts," although there is such a specific heading in the National Bank returns. They made no heading for "time loans from other banks." There is a heading "due to other banks." I protest against the opinion that it ever could have been contemplated that such ordinary transactions as loans from one bank to another, sometimes for mutual convenience and sometimes for aid, could, with propriety be included under such a head as "liabilities not included under foregoing heads," which was obviously intended to meet some *unforeseen liability* which could not be placed under the heads which had been provided for all known banking transactions. The only other head under which loans from banks on time, and for which deposit receipts were granted, is that of "due to other banks." I feel assured that it never was intended to place under that head any items but the actual cash balances between the banks analagous to a clearing house settlement. If I am right, then the only place in which these time loans can be placed is "other deposits payable after notice." The Judge instructed the jury that these were loans, not deposits, as if every sum of money paid to a bank on a deposit receipt was not a loan. In the case of "overdrafts" there is absolutely no heading under which they could be placed except "other assets not included," and to which the objection already stated applies, and the one under which they actually were placed and under which they are placed by all the other banks For the reasons I have stated I hold that the return was not only not false, but in every respect correct, and all the banking testimony was favorable as to the practice of treating time loans as deposits on notice, and the treatment of overdrafts is universal, I believe; but admitting for argument sake that the returns were wrong, and that the particular classes of transactions should have been stated otherwise, then was there wilful deception? To support this charge, I take it that there ought to be evidence that the bank made some change of practice in the returns, and that I knew of it, the object being to deceive. The books of the Bank prove that the return complained of was in the form precisely as it had always been. The officers of the head office who prepared the statements swore that they were correctly made out according to the established practice. I signed them in the usual way when

presented by the Gen. Manager. I don't think it becoming to comment on the Judge's charge or the means which the law provides for a private prosecutor using the name of the Crown to secure a prejudiced jury. My consolation lies in a "*Mens conscia recti.*"

Yours truly,

(Signed,) F. HINCKS.

HON. ISAAC BUCHANAN.

HAMILTON, ONT., *October* 23, 1879.

To Sir Francis Hincks:

I have taken the responsibility of publishing our correspondence in this evening's Hamilton *Spectator*, not consulting you, as I thought that you might in your position have delicacy in authorizing what I deem in the cause of truth and justice to be a right and necessary step to get it shown that it is the system that should be attacked. I have sent the paper to you, and also to the press of Toronto, Ottawa, Montreal, New York, London, Glasgow, and Manchester.

ISAAC BUCHANAN.

OPINIONS OF THE PRESS.

From the MONTREAL HERALD, July 17th.

The publication of the circular of the Directors of the Consolidated Bank yesterday must have astonished our readers, more particularly those who have their money invested in that institution. It is difficult to comprehend how so many intelligent business men could agree to put together so much, meaning so little—an exhibition of weakness in every respect. How can interested parties trust such a statement when one so different was made only a few weeks ago? The question of management or mismanagement need not now be gone into. Let us begin about the period when a probable crisis was admitted by everybody concerned; that was shortly after the payment of the last dividend. At that time some of the Directors openly declared that the shares were worth very much more than the market value, indeed that the capital had been impaired a comparatively trifling amount; such assurances were given us

till the date of the annual meeting, even in the face of the fact that application had been made to Parliament to authorize a reduction of capital. It was then thought by the Directors to be a great hardship to be obliged to submit to cutting down the capital to the extent of 40 per cent.; the general impression then prevailing was that 25 per cent. would be sufficient. We mention these facts only with the view of exposing the evidently indifferent manner in which the Directors have watched the interests of the shareholders. So satisfied were the Board, that the reduction was much greater than it ought to be, they absolutely brought down a balance exceeding $900,000, enough in all conscience to meet any ordinary contingency. No more positive assurance could have been given than that at the annual meeting, that every provision had been made for bad and doubtful debts, rendered all the more satisfactory to the meeting, when it was so strongly expressed that the Committee on Banking and Commerce had subjected the capital of the bank to too great a reduction. Starting six weeks ago with a surplus of nearly a million dollars, can anything be more remarkable than the meaningless circular which yesterday emanated from the Board of Directors. There is not a definite line in it; it is just as vague as anything could be; could not have been more vague if all the bank directors in the Dominion had had a hand in drafting it. If the circular affords any information, it is that, when these positive statements were made at the annual meeting, the Directors knew little or nothing about the affairs of the Bank; yet they undertook to present a worthless statement, and are now obliged within a few weeks to acknowledge a blunder of say $1,500,000, without the knowledge that the atmosphere is now clear. This is not a time to prate about generosity, but it does seem at this stage undignified on the part of the Directors to take refuge in the late General Manager, with whom nearly all have been acting for so many years.

From the MONTREAL POST, July 18th, 1879.

It is quite evident that there is a great want of confidence in the circular issued by the president of the above named bank to the shareholders on the 16th inst. The stock sold yesterday at $15 per share, while, according to the valuation of the directors, the shares are worth $36 each, or 140 per cent. more than the stock exchange value. It has come to be a matter of discussion now in financial circles what the actual value of a share in the Consolidated Bank is, as the affairs of the institution now stand. The inside value of the surplus assets of the bank, as stated in the president's circular, is about 60 per cent. of the present par value of the stock, which is $60. The following letter, which explains itself, appears in this morning's *Gazette*:—

To the Editor of the Gazette:

SIR,—Respecting the circular from the Consolidated Bank, published in your issue of yesterday, I fear the shareholders cannot have more confidence in this report than in those previously made by the same gentlemen, what we want is, a full valua-

tion of assets, certified to by Messrs. Saunders and Campbell, and a re-organization of the board.

We are told that the assets are good value somewhere between $1,250,000 and $1,500,000; a nice little margin truly, after a previous deduction of two millions from the assets. Now, I have good reason to believe that the examination of Messrs. Saunders and Campbell resulted in something like the following figures, taking the June statement of $2,100,000 capital, and $900,000 reserve account as a basis:—

The examiners found that to make a liberal allowance for all known bad and doubtful debts, overdrawn accounts, &c., would require the appropriation of nearly all the reserve $900,000, leaving the $2,100,000 *intact*: but wishing to form a reserve account they thought it advisable to deduct a percentage of *all* discounts to be set aside for that purpose, their idea being some $600,000, or about 10 per cent. on the discounts. Now, the above, if correct, is a very different story from what one would infer from the circular. The shareholders have to fear the extreme undervaluation of their assets by new men, just as much as over-valuation by the old managers. Mr. Saunders and Mr. Campbell appear to have the confidence of the public, which will go a long way towards the adoption of any report they make. Meantime, we look to Mr. J. H. Joseph and Mr. Thos Workman to indicate the much needed reform.

From the MONTREAL STAR, July 19th.

The directors of the Scotch banks seem determined to profit by their late terrible experience in connection with the mismanagement of the City Bank of Glasgow, and have taken one of the remedies to prevent the recurrence of such a catastrophe. We see by the late Scotch papers that all of the banks there have submitted their statements to independent auditors for verification. It is pleasing to be able to state that the result has been eminently satisfactory. The universal apathy of shareholders in a matter of such vital importance to themselves is again exemplified by the fact that the decision to employ public auditors was a voluntary action the part of the directors. If shareholders have no more interest in their own affairs than to sit quietly at the annual meetings and adopt the resolutions, framed by the directors, they will have nobody but themselves to blame when they find their property has been squandered. We want a new departure in the line of public audit in Canada! What board of directors will be first to move, or failing that what shareholder will have the boldness to insist upon its being done. As we have before remarked, such a course would render misleading or false statements about impossible.

The following letter was yesterday read at the meeting of the board of directors of the Consolidated Bank:

THE PRESIDENT AND DIRECTORS OF THE CONSOLIDATED BANK:

GENTLEMEN,—I beg to state the result of the investigation into the accounts of the Bank.

The reduced capital amounts to		$2,080,000
Add balance present contingent account		943,000
		$3,023,000
From this has to be deducted for bad and doubtful debts	$1,420,000	
Balance to contingent account	253,000	$1,673,000
Leaving a surplus or capital of		$1,350,000
In addition to the contingent account of		253,000

It is proper that I should remark that the foregoing valuations are based on estimates of assets of the Bank made by three parties acting independently, two of whom are the new directors, Messrs. Robertson and Saunders, and in which I myself concur; the result being that the actual surplus assets of the Bank are equal to nearly 65 per cent. on the reduced capital.

Yours respectfully,
(Signed.) ARCH CAMPBELL.
Acting Gen. Manager.

MONTREAL, *July 18th*, 1879.

The statement now bears all the weight of the official utterance of Mr. Campbell, the new acting general manager, and Messrs. Saunders and Robertson, the new directors. All of these gentlemen having had no part in the late management of the bank, have of course no interest to serve in making matters look better than they really are. On the contrary, their natural desire would be to represent the case as bad as it actually is, to save themselves from the possibility at some future day of being accused of making a false or misleading statement. It is but reasonable therefore to assume the affairs of the Consolidated Bank have been at last as correctly stated as is possible, without going into minute details. Both the board and the new acting manager seemed disposed to meet the issues squarely, and to be doing the best possible under the circumstances.

From the MONTREAL POST, August 1st.

It has been more than once intimated in our financial columns during the past fortnight that it was more than probable that the management of the Consolidated Bank would be unable much longer to resist the increasing demands on the part of depositors and note-holders. The announcement, therefore, of the suspension of payment by the bank, which took place yesterday afternoon, the last day of the month, will not be surprising to our readers. A constant drain has been made upon the resources of the bank for weeks past, and on the management becoming satisfied that all public confidence in the stability of the institution were lost, strenuous efforts were made to reduce the liabilities to the public by disposing of as many agencies as possible, and no fewer than nine agencies have been closed, other banks having assumed the deposits; while at the head office and outstanding agencies the deposits have been also materially reduced. Yesterday the City and District Savings Bank took over the Chaboillez square branch of the Consolidated, and a circular was issued to the depositors notifying them of the fact, and informing them if they desired their money it would be paid at once. About one-half of the depositors applied for and obtained their money, the amount so paid aggregating some $15,000. There were 16 agencies, altogether. During the afternoon some of the demands made at the head office were so heavy that they could not be met, and hence the suspension. The managers of the bank submit to the public a comparative statement of the liabilities on the 8th June and on July 29th, which shows an aggre-

gate reduction of liabilities between those dates of $1,861,984.69, the figures being as follows:—

Deposits, 8th June, 1879	$3,234,766.59
" 29th July, 1879	1,492,781.00
	$1,741,985.69
Circulation reduced about	120,000.00
Aggregate reduction of liabilities	$1,861,985.59

Since the date of the general manager's last letter, which was published in these columns, nothing has occurred to lead him to change his opinion as to the value of the assets of the bank. It is understood that the accounts remaining at the two or three undisposed of agencies in Ontario, and at the one at St. Hyacinthe, are too small to seriously interfere with business at these places.

From the MONTREAL HERALD, August 5th.

We fear that banking in Canada has been for some years too much like the banking in Great Britain, on which the failure of the Glasgow Bank, and the proceedings growing out of it, threw such a vivid and ghastly light. When we get to the "true inwardness" of our late depression and "all that it implies," indeed, we see more and more reason to impute it mainly to that recklessness of trading of which our banking has been itself a great part, as well as the greatest promoter in other directions of business. Except the one cause of that depression, to be found primarily in the falling off in the lumber trade, there are few of our misfortunes which cannot be traced to the inflation caused by the readiness with which anybody has been able to procure credit. Over and over again the investigation of bankrupt accounts has revealed this fact—that a man has lived for years at a rate for which his original capital would not have supplied the means for a single month's expenditure. Of course, his eating, drinking, clothing, &c., have been mainly so much property irrevocably subtracted from the wealth of the community, and the whole loss has been substracted from the property of his creditors. We are satisfied that the man would not have been believed who, a few years ago, had described the utter folly and imbecility with which those who have controlled the available capital of the country were allowing it to go into the hands of persons alike destitute of means, or experience, except indeed experience of the best way to leave creditors in the lurch, gained by previous adventures of the same kind. Yet it could not have been impossible to get at the facts. It could not have been absolutely beyond the reach of investigation, that a certain man whose account with the wholesale dealer, or whose acceptances at a bank were running up by the tens of thousands, was a person who, inheriting nothing, had had no opportunity of making anything for himself, and was without any solid assistance from wealthier men. No doubt, under the most careful system of business, occasional fraud is possible; but the

distinguishing feature in the era, which we hope is now about to bring itself to a close, is the infrequency of fraud. The truth is that it was not worth while to concoct a fraud, when Tom, Dick, or Harry could have goods or money to any extent he pleased, without being put to the labour even of weaving a plausible story. It would be very unfair to impute all this blundering to the small class of men which is made up of the Managers and Directors even of those banks chiefly amenable to the censure it implies. They were only bitten like the rest with that mania for speculation, and that belief in a constantly swelling prosperity which afflicted us all, and was very much encouraged by political nonsense about the vastness and wealth of the great Dominion, constituted by annexing a few not very rich Provinces to each other, and charging them collectively with burdens which, divided among them, would have frightened them all. Still banks are the main springs of credit, without whose motion the smaller springs could not play; and bankers ought to be, by their position, on the watch towers of finance, and by their knowledge of business, theoretical and practical, the first to perceive and to check delusions such as the one which we are considering. We fear, on the contrary, it cannot be successfully denied that they have been the chief promoters of it. The facts already known respecting the Consolidated Bank are the best justification of what we are saying. We apprehend that, even with the recent example of the City of Glasgow Bank freshly before us, it will be hard to find a banking scandal worse in extent—we do not say in kind—than the one which we are condemned to consider in our own community. If the current statements are to be believed, some $1,700,000 have been lent to a firm with several branches and to some four other firms, to whom no rational stockholder in the bank would have lent $100,000 if all their names had been on the same note. We presume that before long, and in some authoritative way, the facts will be substantiated, and that the public will know how it was possible, that such marvellous errors as to the true position of the Bank could have arisen, in a directory which contained not only much talent of what may be called the financial and book-keeping kind, but also much of that kind which belongs to shrewd and experienced men of business, well acquainted with the pecuniary strength of their customers. This is at present a mystery of mysteries. It is incredible to any one who knows Montreal, that some of these men would have allowed such large sums of money to go into such hands. It is, of course, no secret that an imputation is cast upon the late Manager of wilfully and systematically deceiving his Directors, though in that case he must have had accomplices within the bank. On the other hand, no one who has known Mr. Renny could previously have believed it possible that he could have got up a deception, so continuous, deliberate, and systematic, and hence so exceedingly wicked, as this imputation implies. The most remarkable part, perhaps, of the whole is that—so far as we can see at present—no one connected with the Bank has had the least corrupt or personal interest in the terrible losses sustained by so many unfortunate persons. Of course, we say this under reserve, and subject to the fuller revelations which cannot be much longer delayed; but very grave reason as the stockholders may have for complaint, we do not perceive any ground for

suspecting that President or Directors have enriched themselves by the value of one copper at their expense. Whether they deceived themselves, or permitted themselves, culpably we cannot but fear, to be deceived, they seem to us to have fully participated in the delusion which their misrepresentations created, so that some of them—we are speaking, of course, of the old Board, for the new members are open to no blame—have added largely to their holdings of stock within a few months, and have thus taken upon themselves a part of the loss, which would otherwise have fallen elsewhere. Nor do we gather that those who speak the worst of Mr. Renny lay to his charge the sin of making his own gain by the loss of his employers. This absence of personal interest in the wrong done, if it turn out to exist, is very far from a justification; because men have no right to undertake the management of other men's property without being able to do it, and, being able, without actually doing it. Men long broken to business must have some very cogent and extraordinary excuse for putting out statements so false as the recent statements of the Consolidated, always of course excepting the last, have manifestly been. But there is still a wide moral difference between neglect or incompetence, and rash acts committed for personal gain, whatever may be the legal effect of the former class of errors as to pecuniary liability. And we repeat that, in the present state of our knowledge, it seems fair to consider the Directors, and, indeed, also the Manager (only he can hardly be guiltless of deliberate misrepresentation) are entitled to the benefit of this difference.

From the MONTREAL POST, August 9th.

By way of indicating how the business of the City of Glasgow Bank was conducted, it is related by Mr. James Morton, examined before the Sheriff's Court a few days ago, that the bank used to give him £20,000 to £50,000 in a day upon his I O U's, which were redeemed a few days after, and that the transactions never found their way into the books. In nine years he thus obtained eight millions sterling, and with such splendid backing he was enabled to carry on an enormous business without any capital of his own. In 1861 he began by owing the bank £4,000, and ended in 1876 with half a million. In return for these favours, he was in the habit of buying drafts on London just before account days, to a large sum, which would then appear in the bank returns as cash, and be redeemed after the cooking operation was over.

If report be true, somewhat similar transactions, on a smaller scale, have been carried on with one of the recently defunct banking institutions in this city. For several days past it has been currently reported among dry goods men here that a well-known firm in the trade, against whom a writ of attachment was issued last week, had for months previously enjoyed the rich but exceedingly rare privilege of having their own notes discounted at a certain bank for almost any amount, on order. The irregularity of such proceedings is too patent to require comment here,

and the ability of the said firm to pay up is manifest in the fact of their failure almost contemporaneous with the stoppage of the bank, and therefore the withdrawal of their exceptional accommodation.

From the GLASGOW NEWS, August 14th.

It is satisfactory to observe that the financial crisis in Canada has passed over so soon, and that it has involved the suspension of only three of the 39 banks which supply financial facilities to the Dominion. A much worse result might have been expected when it is remembered that this large number of banks is out of all proportion to a population of four millions. The disparity was pointed out in our columns some time ago, and judging by the mail advices to hand to-day, this view of the matter seems to have struck some of the shareholders in the Canadian banks. The result has been a resolution on the part of the shareholders in the Stadacona bank, of Quebec, to go into liquidation. This apparently extreme course has been adopted simply because it was believed that there were too many banks in Quebec. There is no mention of impaired resources, and it appears, indeed, that the capital of the bank is still intact. The concern is one of those that sprang into existence in 1874, when there was a kind of epidemic with respect to the starting of new banks. It appears singular that no one should have proposed amalgamation, but the question of absorption into a larger undertaking does not appear to have been considered. Many of the Canadian banks are very small institutions—so small, indeed, that out of the whole 39 there are but half a dozen which boast capital over two millions of dollars. The disasters which have happened to the Consolidated, the Exchange and the Ville Marie were, therefore, not wholly unaccountable. Many of these banks ought never to have been created, and in all probability they would never have existed had it not been for the peculiar line of policy adopted by the Bank of Montreal after the close of the American civil war. Under these circumstances a greater commercial crisis might have been looked for, and the crisis has passed over so far with remarkable lightness and rapidity. One important lesson suggested by recent events is that the smaller banks, which will always be liable to danger, ought to strengthen their positions by amalgamating with larger and stronger institutions. Consolidation of this kind has been successfully adopted elsewhere, and it would probably answer very well in Canada.

From the MONTREAL SHAREHOLDER, September 19th.

The shareholders of the Consolidated Bank may glean what comfort they can from the explanation of the officials at the meeting held yesterday, and of this we shall perhaps have more to say hereafter. In the meantime, what we would like to know is this, if in a period of three months and twenty days the interest paid and reserved amounts to

$70,459.08, and the profits (after deducting expenses of management) are only $27,050.21, how long will there be anything left in the concern? There must be money in it, or directors and others would not be eagerly buying up the stock. Then again, what about the expenses of running the thing in these three months and twenty days? Surely the time for trifling with the money of the unfortunate men and women has gone by. Let the directors speak

> "All circumstances that may compel
> Full credence to the tale they tell."

Let them inform their shareholders what the actual running expenses were and drop the air of official reticence that sits so ill, even on the prosperous bank director, and give to the public statements that by their simplicity shall enable the shareholders, whether male or female, or or whatever their knowledge of accounts, to understand what is being done with their money.

From the MONTREAL STAR, September 20th.

The cause of the present unfortunate condition of the bank may be summed up in one sentence, which is, *the want of an impartial and independent audit of the head office.* The bank had a regularly appointed inspector, who at stated intervals went through the various branches, but he was not permitted to inspect the head office, the general manager, Mr. Renny, loftily saying that he would not allow the work under his charge to be inspected by an inferior officer. Sir Francis stated yesterday at the meeting that no inspection of the head office had ever been made and it is also said the Board had never considered the advisability of having it done, having complete confidence in the General Manager. Mr. Renny had been privately requested to have the inspector of the Bank reside here instead of at Toronto, and had partially consented to do so, but had never carried out the promise. The logical consequence of this neglect is that over a million and a-half of the losses of the Bank were made at the head office. Men competent to form a correct opinion unhesitatingly assert that had a thorough inspection taken place two years ago there would have been no occasion for a suspension, and that a knowledge by the board of the true state of affairs even a year ago would have made the wreck a much less hopeless affair than it now is.

From the MONTREAL HERALD, Sept. 22nd.

Our citizens cannot have perused our reports of the recent meetings of the stockholders of this Bank without a feeling of humiliation. It must be assumed that an institution such as the one in question would be placed under the direction only of men having some right to be considered as the *optimates*—the best men we possess in the commercial and

financial community. Yet, in default of accusations of a worse kind, it must be said that no set of men ever exhibited a more lamentable amount of imbecility and criminal neglect of duty than those under whose management the capital of the Consolidated has dwindled away to nothing or next to it. We gladly believe that none of the gentlemen who appeared on Thursday and Friday in this unenviable position are open to the charge of of benefitting by the losses which have fallen alike upon themselves and the other shareholders of the Bank. Even the misrepresentations with which they have been justly reproached do not appear to have been of that heinously guilty kind which have sometimes been made by men who desired to induce others to relieve them from losses. One can readily sympathise with the righteous anger of Mr. Allan Gilmour, but when it is known that Mr. Reekie acted himself on the advice which he gave, and bought shares at the time he was advising his friend against selling, we cannot but acquit Mr. Reekie of intentional wrong-doing. It appears, also, that at least one other Director, Mr. Rankin, had bought shares at a time when everybody now knows that the Bank was already in deep water, but when he still believed the representations of Mr. Renny that it was in a sound condition, and consented, at that gentleman's request, to sustain the market by considerable purchases. But, having said this, we have said all that can justly be advanced to palliate what, except in the one particular of personal fraud, is perhaps as disgraceful an example of banking mismanagement as the world has ever seen. The statement of Aaron, when he was reproached by Moses with having led the children of Israel into idolatry, that he had put gold into the fire and it had come out a calf, was not more helplessly idiotic than some of those made last week as to the accounts of the Consolidated Bank. Hundreds of thousands of dollars were going into the hands of men whom none but lunatics would have trusted with hundreds—and no one of those who ought to know knew anything about it. A comparison of the liability of the ledger with other books would at once have disclosed the fraud which was being practised—but it seems to have occurred to no one that these sort of comparisons are essential to the effective supervision of any large business. Every month there was a solemn account rendered to the Government of the condition of the Bank, and in this statement the cash on hand figured—but no one ever discovered that the amount of this cash on hand could only be made up by *bons*, which would never have been made unless by persons in pecuniary difficulty, whose *bons* were, therefore, valueless. The law prohibits banks from lending money on mortgage, for the reason known to every man acquainted with the first principles of banking, that mortgage business is always deadly to discount banks—but when a borrower, who could not procure a loan on his real estate from any appropriate institution, offered a much higher rate than the transaction would have warranted if the security had been esteemed good by persons in that branch of business, the Bank Manager jumped at the big profit, and prevailed upon a member of the Board to connive at and abet the breach of the law. Moreover, this illegal and dangerous course having once been entered on, each renewal of the transaction, instead of being regarded as a warning to stop, was a renewed

occasion for augmenting the loss. Loans were made on the security of warehouse receipts—but it never occurred to any one to enquire if the borrowers' value of the certified property was not greatly in excess of the truth. No inspection was made at the head office of the Bank—and it is thought a sufficient justification to say that this necessary process had not been previously adopted, and that the Bank would have been none the worse for the absence of inspection, if, indeed, there had been nothing wrong for the Inspector to discover, which is much the same as saying that we should not want policemen if everybody would only be honest. It is, however, at best a poor excuse, because surely the timid and nervous character of Mr. Renny which led him to make bad debts worse rather than face the consequences at once, ought not to have been long undiscovered by those who were his official overseers. And here we must say, and with very deep regret, that, while acquitting the Directors, in the meantime, of all wrong but that involved in the criminal neglect of duties for which they were paid, it requires a great deal of charity to look upon the acts of the Manager and his assistants with the moderation which was so remarkable in all that was said respecting them by the President. These men, at all events, must have known that they were doing wrong, because, if we are to believe what has been asserted, they deliberately falsified—why that word should be objected to we do not see—those books or accounts which could not but come before the President and Directors in spite of themselves. Nothing but the very general esteem which Mr. Renny has enjoyed, and the absence of any accusation against him by those who would have an interest in accusing him, if they could fairly do so, can in any degree rebut the ordinary and reasonable presumption that personal and dishonest gain must account for such great and manifest misfeasance. We, therefore, think the shareholders have a right to complain of the easiness with which the gross misconduct of the late Manager and his accomplices has been treated. It may fairly be said that, if the very poor excuse which the President and Directors can make for their misconduct is to turn upon the misconduct towards them of their officers, steps ought to have been taken to put the guilty on a serious defence, and so to prove the allegations on which the apology rests. We have written the above with a feeling of great pain; but, looking over the whole of this affair, we cannot but feel not only that the property of a number of worthy and helpless people has been dissipated with wanton as well as criminal negligence, if the first adjective can ever be applicable to the succeeding noun; but that a great wound has been inflicted on the whole community. For who is safe if millions of money can be thus thrown away by the trustees to whom it is committed—and trustees of the highest competence, *prima facie?*

From the MONTREAL SHAREHOLDER, October 3rd.

While we have to congratulate ourselves in Canada that the ultimate losses from unsound banking and insurance to the public at large in

twenty years have been comparatively insignificant, when the enormous magnitude of their operations during that period is taken into account, it must yet be said that this is but poor consolation to the actual sufferers outside of the shareholders, if they are, as we believe them to be, but few in number, and for the benefit of these, as well as of the more unfortunate shareholders, we would throw around banking every legitimate safeguard that the law can give. Still we are of the opinion that the wisdom is not yet evolved in the march of human intellect to devise any certain means of safety. There is one thing that may be done, however, and that is the swift and certain execution of justice in the case of fraud; the whole community has been ringing with charges of malfeasance; men in high places have been recreant to their trust, have alienated the money entrusted to them or have lavished it with reckless hands upon unworthy objects. There has been talk enough, it is true, of prosecutions, but the embezzler is allowed to resign and quietly disappear, the bank director to vote money by thousands indirectly into his own pocket, and but a feeble pr[illegible]ised—and it seems as if the very thirst for revenge had blinded the [illegible] of the deluded victim to the proper course to pursue. Let no sentimental feeling be allowed to prevail; let every man that misappropriates funds be made to feel there is still justice in the land for criminals; then will our financial atmosphere be purified, and the whole community learn a lesson that will have a wholesome effect for the future.

From the MONTREAL SHAREHOLDER, October 17th.

A director should be a man esteemed by his fellow men; he should have a thorough knowledge of all commercial affairs; he should be in good pecuniary circumstances, and be able to devote a reasonable time to the service of his constituents, and, above all, he should be a man of strict integrity and uprightness; for it must not be forgotten that not only does a want of these qualifications on the part of the director lead to inefficient management on the part of all concerned, and to consequent loss, but will show itself in reckless perversion of his trust, and consequent ruin to his constituents and evil to the community at large.

From the MONTREAL HERALD, Oct[illegible] 21st.

In reporting the verdict rendered yesterday by the jury in the case of Sir Francis Hincks, we must pronounce the old sentence, "let justice be done." There can be no doubt that the public, and especially stockholders in banks have had grave reasons for complaint of the manner in which their affairs have been managed. The testimony of Mr. Angus and other experts showed, indeed, that the monthly statements of the "Consolidated" were made in accordance with the ideas, and what may be, perhaps, called the system prevalent in the profession; but to whatever extent this may have seemed to relieve Sir Francis, by establishing

that he was only following in a groove already worn, and taking a course judged by the best informed to be consistent with duty, it certainly raised a most disagreeable doubt as to the value of any information which Bank Managers vouchsafe to the public. Possibly the jury may have been more struck by the dangers thus revealed, than by the excuse which the depth of the evil offered for an individual who had been drawn into it, as a thing of course. Yet we hope there is no one who, whatever be the justice of the verdict, will do otherwise than regret that the jury found themselves unable to acquit the accused. Those who have lost money, and have witnessed the loss of it by others very ill able to bear the loss, in consequence of serious neglect on the part of the men to whose care it was committed, cannot but desire that just punishment should be meted out, if only to prevent similar misfortunes in the future. But he will be a hard-hearted man, who will not melt when he sees a grey-headed gentleman, after a long life of honour, brought to the punishment of criminals for an act which, wrong as it may have been, was wholly free from any intention to defraud others, or to benefit himself. We have seen only too many cases in which Bank Managers have made use of their positions in order to enrich themselves, either by risking the money committed to their care, in the hopes of personal profit, or by direct robbery of money or securities. One cannot but feel something of the pleasure attending the spectacle of righteous vengeance, at witnessing condign chastisement for such an offence. This is the time to remember that no such stain rests upon Sir Francis Hincks. Men are sometimes punished for their mistakes as severely as for their crimes. Perhaps it must be so; yet there is a wide difference between error and intentional fraud. Of the last no shade of evidence has been cast by the trial upon Sir Francis Hincks; but it seems to us that this fact should be borne in mind by those who, outside of the tribunal whose decisions are governed by statute, seek to form a fair opinion on the moral nature of the facts which, during the last week, have been discussed before the Court of Queen's Bench. The case is like that of the master of a ship, who must be punished for her loss even by his neglect of precaution, but does not thereby lose his standing as an honest man.

From the MONTREAL GAZETTE. October 21st.

The trial of Sir Francis Hincks on the indictment charging him with having made false returns to the Government of the affairs of the Consolidated Bank, of which he was President, resulted yesterday in a verdict of guilty. There was considerable surprise expressed upon the street at this verdict, and especially at the fact that it was given with so little apparent deliberation on the part of the jury. We understand that a new trial is to be applied for, and that an effort is to be made to obtain the opinion of the Court above upon certain law points reserved. The question, therefore, may be considered as still *sub judice*, and we avoid any comments upon it. This much, however, may be said without impropriety, that it seems somewhat strange that the trial should have gone

on in the presence of a public sentiment, or more properly of a public excitement, which makes it somewhat difficult to secure a calm and judicial enquiry into the case. The other day in Toronto, the trial of a man accused of murder was postponed until the next assizes, because of an article which had appeared in one of the newspapers, and which, it was thought, might prejudice the case of the prisoner. That was excess of caution, but the application appears to have been granted as a matter of course. We cannot but think that gentlemen occupying the position of directors of the Consolidated Bank might claim at least equal consideration. As we have said, we make no comment upon the verdict, nor upon the proceedings generally. There are reflections which naturally suggest themselves, but they can be postponed until the subject is out of the hands of the Courts.

From the KINGSTON NEWS, October 22nd.

The conviction of Sir Francis Hincks, while perhaps just, will prove a subject of regret on account of the venerable gentleman's age and position. While guilty of negligence he has not been guilty of any act of personal criminality. His case will prove a warning to other bank presidents.

From the ST. JOHN TELEGRAPH, October 22nd.

It is a matter of regret that such a charge should be proved against any bank president in Canada, but at the same time it is clear that bank officers should not be permitted to publish false statements of the condition of the banks even if they did so ignorantly.

From the BELLEVILLE ONTARIO.

A verdict of guilty has been returned in the case of Sir Francis Hincks, charged with making false returns, as President of the Consolidated Bank, to deceive the Government and the public. The charge was a serious one, and hence the verdict of the jury must be correspondingly serious. While all will regret that one who has long occupied such a conspicuous place in Canadian political and financial history has been convicted of such a crime, sympathy with the widows and orphans who suffer from criminal carelessness in the management of their trusts, will find vent in an expression of satisfaction that an example has been given which will have a deterrent effect in future.

From the HAMILTON SPECTATOR.

There is no good defence of the carelessness which Sir Francis showed in the Presidency of the bank. It certainly deserves the severest censure, but the public will make a distinction between the worst form of carelessness and any form of criminality. It is not charged that Sir Francis manipulated the affairs of the bank for the purpose of making money for himself out of them. Considering the indignation against him on the part of the losing shareholders, their wrath has been singularly free from any suggestions of that kind, and in the hour of his misfortune it is due to good feeling and justice to say so.

From the LONDON FREE PRESS.

It is evident that so long as directors, managers and inspectors are all in the same boat, the shareholders and general public have but a poor show. A mutual interest induces them to put the best side forward, and to screen certain misrepresentations which an independent officer appointed in the interest of the shareholders would not permit or wink at. Seeing that so large a hole has been picked in the financial coat, it might be just as well if the whole matter were probed to the bottom. Are we to believe that Sir Francis Hincks has been a greater sinner than others, or that the testimony of Mr. Angus and others is true, and that such a looseness has prevailed with respect to the preparation of accounts, solemnly sworn to, that they cannot be accepted with any degree of certainty?

The *Free Press* maintains that in placing "*bons* and other illegitimate scraps of paper" as true assets, the truth in relation to the financial condition of the bank was not told.

From the MONTREAL WITNESS.

The fact that the verdict against Sir Francis Hincks was known all over the city almost as soon as it was given shows with what interest the people generally have waited for the result of this trial. We presume almost every one was more or less taken by surprise, not only because a different result had seemed to many people probable from the nature of the evidence, but because it is generally taken for granted that a great man will escape even where a less important person would suffer—and this is especially so where the accusation is rather of involuntary participation than of intentional wrong doing. Much sympathy has been expressed for Sir Francis, and such sympathy is only natural. Without expressing an opinion on the merits of the action of the directors of this bank, we are free to say that we trust this verdict will be taken as a warning by all men who have the interests of others committed to them, whether as bank directors or otherwise. It is surely time that those who are offered

such positions should consider before accepting whether they are prepared to insist on a complete knowledge of the affairs of the institution which they are supposed to control, and to hold themselves fully responsible for all that is done by such institution. If not, let them stand aside and make way for some one who will. Stockholders too must be prepared to face a demand for higher compensation for directors whose duties will be so much more onerous.

From the MONTREAL POST, October 23rd.

The late verdict passed upon Sir Francis Hincks, and its probable or possible results are being vigorously discussed, both in conversation among business men and by letters to newspapers. The clause of the Act bearing on the case seems to point out clearly that imprisonment for any period, not exceeding two years, at least, must follow such a conviction, yet the impression prevails that the prosecution will not ask for judgment, and that the verdict will be set aside. The forfeiture of his title, and of his pension of £1,000 sterling from the British Government, in consequence of the verdict, are also matters upon which speculative opinion is rife. These are all questions, however, which the Privy Council and Courts have yet to settle, and, therefore, we refrain for the present from expressing any opinion as to the justice of the verdict, further than to say that the indictment seemed to us rather a vague one from the beginning, inasmuch as the Directors of no Bank in the world are or can be held directly responsible for the accuracy of the items set forth in Government statements, and especially when so many agencies are involved. This was clearly demonstrated by the testimony of Mr. R. B. Angus, of the Bank of Montreal, and of other bankers called as witnesses. The responsibility, so far as any criminal action is concerned at all events, must rest upon the General Manager and accountants. If the indictment had charged the directors with falsifying statements of the affairs of the bank, made to the shareholders over their own signatures, both at the last annual meeting and since through the public prints, then we think there would have been some grounds for a "thorough legal investigation," and it might have met the case before the shareholders and the public generally. As it is, leading bankers and all well-informed financial men regard the verdict as largely the result of popular feeling and indignation, and it is understood that efforts will be made by counsel for the defence to have the conviction quashed.

From the JOURNAL OF COMMERCE, October 24th.

The principal topic of public discussion during the week has been the trial of Sir Francis Hincks before the Court of Queen's Bench, charged with having, as President of the Consolidated Bank, signed a false return to the Government of the affairs of that institution in Febru-

ary last. It was hardly to be expected in the prevailing excited state of the public mind in this city that the trial could result otherwise than in the verdict of "guilty" returned by the jury at the close of the proceedings last Monday. People possessing little knowledge of bank accountkeeping or the manner in which the monthly returns are usually prepared grasped only one idea—kept constantly in their visual foreground the one patent fact—that the bank had come to an inglorious end, and that Sir Francis Hincks as President was the head and front of the institution; thus it was, under all the circumstances, most difficult to obtain any calm, dispassionate opinion outside as to who should be held responsible. It was to be expected that the first person placed on trial, whoever he might be, would be almost certain to feel the full force of public indignation. It were premature to discuss the merits of the case here, as it is yet *sub judice*, but our readers will be enabled to form an opinion for themselves from the addresses of Messrs. Kerr for the defence and Ritchie for the prosecution, as well as the charge of His Honor Judge Monk, on other pages. There can be, however, but one feeling in the minds of all right-thinking persons—that of profound sympathy for the grey-haired old gentleman full of years, and of honors well deserved, against whom no hint of dishonour has ever been breathed; who has done more to promote responsible government in the country of his adoption than we can ever be sufficiently grateful for; who has more than once single-handed grappled with and overcome financial and other difficulties that threatened the public welfare, and who now in his green old age, after an active and well spent life in which the welfare of others has always been paramount, is brought to the punishment of a criminal through an interpretation of a law which he himself had no little to do in framing.

That the public at large, and especially the shareholders, have had grave causes for complaint as to the manner in which the affairs of the bank have been conducted there can be no divided opinion, and the jury were probably struck rather with the enormity of the dangers presented than with any evidence tending to exculpate the defendant; but not even the most partial observer throughout the whole affair can find cause for attributing to him any dishonourable or selfish intent or motive, while all cannot but regret that it has been found imperative to pronounce such a verdict. The trial of the other directors, which had been fixed to begin last Tuesday with that of Mr. Hugh Mackay, is postponed till the Spring Term of the Court. Sir Francis Hincks remains a prisoner on parole pending the sentence of the Judge, or his permission to have the case taken before the Court of Appeal.

From the MONTREAL SHAREHOLDER, October 24th.

The event of the week is so pregnant with suggestions for the future that, although we have already devoted so much of our space to the late trial, we believe ourselves justified in dwelling a little longer on the subject. Sir Francis Hincks has been condemned for no ordinary offence.

It has not even been whispered that he has appropriated to his own proper use any of the funds entrusted to his care; no one has accused him of lending large sums to any of his relatives, near or distant; indeed it may almost be said to have been shown that, in all these points to which the masses have been accustomed to attach the idea of moral turpitude, there was no guilt attached to the defendant. The offence was of a more subtle description. It was as if the Legislature, representing the whole of the inhabitants of Canada, had said: "We are willing to confer upon certain individuals all the great and invaluable privileges attached to incorporated companies for the purpose of joint-stock banking, and the issuing of notes to be used as currency; nay, more, we are willing to confer on these individuals a monopoly of the supplying of these notes, and to enact penal laws to prevent others from infringing on their rights in this respect; we are willing to trust to the good faith and honour of these individuals that they will not abuse these privileges, and as a pledge of their fidelity we require at stated periods a full and particular account or return of their operations under our trust. We require them to state in these returns the result of their business transactions once a month for the purpose of enabling us and the electors of Canada who, through us, have conferred these powers, to judge what use they have made of their privileges. These returns are intended to enable us and the public to judge whether these privileges have been abused or not, and whether these incorporated banks continue to merit the confidence reposed in them."

We believe this is in effect what the Legislature has said, and is also evidently the view the jury took, and notwithstanding this seems to be a reasonable interpretation of the wishes of the Legislature, the Consolidated Bank when in distress deliberately overstated its notes discounted current, failed to return large amounts of overdue and unsecured loans, many of which were indeed worthless, and told the Government and people of Canada that the amount they had borrowed to stave off the evil day at exorbitant rates of interest had been received in the ordinary course of business. This is the gravamen of the offence charged. We regret to say that the idea is abroad that such practices are common amongst bankers. We do not believe it. That some have been guilty we do not doubt, and we believe that those who have will ere long find they have undertaken a task beyond their strength. In any case the result of the trial will have the effect of inspiring a greater respect for our banking laws, and more confidence in the future of our banking establishments.

From the CANADIAN SPECTATOR, October 25th.

There can be no doubt that there were grave irregularities in the management of the Montreal branch, and that much misery and suffering have resulted to the shareholders from the failure of the bank. It is gravely to be feared that these considerations have at this time unduly persuaded the jury to convict. Whatever the result may be, it is matter

of painful regret that a man of Sir Francis' distinguished public services should be exacted as a victim for pursuing a system of banking to which almost every bank director in Montreal has, directly or indirectly, given his assent. Already the sober second judgment of the country is that he should not have been condemned. The price of satisfying the public wrath has been too exorbitant. A mature statesman and financier, a bold and fearless publicist—the Nestor of Canadian men—bearing the honours of two continents upon his head, and withal an unsullied name —while verging on his four-score years, must expiate the crime of a system, rather than of personal wrong-doing. In all this painful legal drama, there is one matter for sincere congratulation,—he was personally advantaged in nothing. He acted for his bank, and not for personal gain. His Honour remains intact. Were it otherwise, it would have been better that his ashes were commingling with those of his compeers in the front rank of Canadian public life, even before this generation begun,—with Baldwin and Lafontaine; for the name of Sir Francis Hincks is not his own merely,—it is his country's.

From the MONTREAL HERALD, October 27th.

We shall not enter into the question how far Sir Francis Hincks has complied with the law as it stands in signing the monthly statements of the Consolidated Bank. This is a matter still *sub judice*, and we content ourselves with hoping for him a good deliverance. But, as we understand his letter to Mr. Buchanan, he contends not only that the statements in question complied with the present law, but that they made a proper representation of the condition of the Bank. This is a contention of so much importance in the future that we cannot allow it to pass without protest. Sir Francis asserts that Bank deposits are loans, and this is undoubtedly true in just the same sense as the postulate that a mare is a horse. Yet a breeder would give a very false account of his animals if he enumerated his stallions as so many mares. If a Bank statement is fairly to represent the condition of a Bank it cannot be by classing such loans as those contracted by the Consolidated among the deposits. Such loans, when made to concerns whose business is to lend, arise out of the poverty of the borrower; while deposits imply no such poverty, but on the contrary have their chief cause in the desire of the depositor to place his money in safety with rich institutions, until he can find suitable occupation for it. A large amount of deposits is an indication of moral strength, because it shows the confidence of monied men; a large loan is a proof of physical weakness, because it is rarely contracted, except in case of necessity. Hence the placing of the loans in the deposit column must deceive all who inspect the statement, unless they have some special information as to the way it is made up. It is perhaps not quite so clear that overdrafts should not appear in the discount column, because there are banking systems in which the advances are made by authorising the customer to draw for a certain amount, without putting in paper. That, however, is not supposed to be our mode of banking, and the

word discounts certainly can only in strictness apply to advances on notes with two names, representing in general real business transactions. Whatever reason, however, there may be for this way of classing a transaction, in which a Bank intentionally, and from the first lends money on a single name, with or without collateral security, such classification cannot be admitted to cover up and dispose of the previous false enumeration of personal and worthless *bons* as if they were gold or legal tenders. For that Sir Francis was not responsible. The mistake in reference to this part of the case was in assuming the wrong-doing of others when he became aware of it.

From the JOURNAL OF COMMERCE, October 31st.

It is not a little extraordinary that although many years have elapsed since the passage of the Act relating to Banks and Banking, there has been no discussion by the press until very recently as to the form of the returns to Government, although it has been admitted by Bankers in their evidence in the late trial that there was a great deal of uncertainty as to the proper mode of classifying such ordinary banking transactions as loans from other banks and overdrafts. The publication of a letter addressed by Sir Francis Hincks to the Hon. Isaac Buchanan, of Hamilton, which will be found elsewhere, has led our daily contemporary, the *Montreal Herald*, to enter its protest against the allegation in that letter that the returns signed by the writer were in accordance with the law. We cannot congratulate the *Herald* on the appositeness of his equine comparison. Admitting that a breeder of horses would give a false account if he enumerated his stallions as so many mares, we would ask the *Herald* whether, if the said breeder were required to make a return under specific heads of his stock of various descriptions, and that there was but one heading for horses, he would be guilty of deception if he returned both stallions and mares under the general head of horses. We might be ready to admit that, if the Banks were called on to render a true account of their condition in their own way and on their own responsibility, loans of the description of those which, as the *Herald* observes, imply poverty would not be properly classed with deposits. The banks have no such power, but must follow the prescribed form. Unfortunately for the *Herald's* argument no distinction is made in the parliamentary classification (and moreover it would be found very difficult to make one) between loans made by one Bank to another for the convenience of the lender and for that of the borrower. The items in the returns under the general heads of liabilities and assets are 29 in number, and yet such ordinary banking transactions as overdrafts and time loans from other Banks have been for many years returned under different heads by the Banks generally, and it is only when a conviction for wilful deception has taken place that the press has taken up the discussion. The *Herald* does not state how these transactions should have been returned. He simply objects to the heading adopted.

We have been informed on reliable authority that, since its first return for May, 1876, the *Consolidated Bank* has been in the habit, from time to time, of purchasing exchange, giving deposit receipts payable at a future day in payment thereof, which have been invariably returned under the head "deposits payable after notice." After following this practice for years without remonstrance, although it must have been well known to the lending banks as well as to others, all of a sudden the president is charged with wilful falsification because he made no change in a practice which he found in existence when he first joined the Bank, and which he, moreover, still conscientiously believes to be the heading most in accordance with the law. The heading contended for by the witnesses for the prosecution, it has been clearly shown, would have rendered the return deceptive and misleading. Towards the end of the *Herald's* article he refers to what he terms "the false enumeration of personal and worthless *bons* as if they were gold or legal tenders." The term *bon* was used for effect by the prosecuting counsel, but does not convey a proper idea of the demand notes which were accepted by the late general manager from certain customers of the Bank, from whom he believed that he had ample collateral security. It was proved on the trial that his mode of dealing with those notes was adopted apparently in order to blindfold the President and directors. They were never treated as gold or legal tenders as the *Herald* affirms. They were treated in the return in the only way which it was possible to treat them, although the President, as appeared by the evidence, as well as the officers in the head office who prepared the return from the balance sheet, furnished by the accountant of the Montreal office, were wholly unaware of their existence. The *Herald's* article ought, at least, to convince the Government that it is absolutely necessary to reconsider the form of return, and to make it so clear that in future bank officers will not have reason to complain that it is a trap from which it is difficult to escape.

The Montreal *Gazette*, which has, as well as the *Herald*, discussed the subject in a judicial spirit, arrives at a conclusion which we apprehend will meet with general concurrence, that "it will be the duty of "Parliament next Session to amend the Banking Act so as to provide "against a repetition of these proceedings in the future." We have but one observation to offer on the *Gazette's* article, and that is that he does not seem to estimate the difficulty that would be caused by providing a column for "due to other banks after notice." That heading we admit would have prevented the present difficulty but would have raised a new one. It is impossible by any such heading, or by any other that could be adopted, to convey a correct impression as to the nature of any given transaction. Unless this be conveyed the return may be misleading and deceptive. A loan may be obtained by one Bank from another without the borrowing bank being in the least difficulty, or without its having been given "to prop an institution." The danger to be apprehended from the form suggested by the *Gazette* is that, in every case of a loan, or, to put the case more correctly, the purchase of exchange by one Bank from another on a time deposit, it might be assumed that the borrowing Bank required "a prop," and, as a consequence, there might be a run and a panic in the stock. There is nothing in the *Gazette's* article to

lead us to suppose that he has sufficiently considered the danger that might be incurred by a bank borrowing merely for convenience, and not at all from necessity, from publishing the fact that it had obtained time loans. That view, however, will require consideration when the amended form of return comes up for discussion in Parliament.

From the JOURNAL OF COMMERCE, October 31st.

In our last issue we expressed an opinion that while the case against Sir Francis Hincks, as President of the Consolidated Bank, was still *sub-judice*, it was premature to make it the subject of discussion. The reservation of the points of law, on the motion of the defendant's counsel, has been granted by the judges, but months may elapse before the full court may be called on to adjudicate upon them. Meantime the press, especially in the sister province of Ontario, has had no scruple as to the propriety of discussing the verdict, although we regret to have to state that the spirit is far removed from what we should term judicial. There are, of course, several exceptions, and notably that of the *Monetary Times*, which has treated the subject with an evident desire to give fair play to the accused. The article in the *Monetary Times* discusses two wholly distinct subjects, which have, nevertheless, been very generally treated as one, the writers for the press being apparently unable to perceive the gross injustice of their comments on the proceedings in court. Those subjects are: the charge of making false and deceptive returns to the Government, and the charge of negligence or incapacity in the discharge of his duty as President of the Bank. We purpose reviewing the article in the *Monetary Times* under both heads, but at present we shall confine ourselves to the one which treats of the trial in the Criminal Court. We cannot discuss the subject satisfactorily without noticing that the *Monetary Times* has arrived at the conclusion that Sir Francis Hincks was guilty of negligence. He, however, admits that there was "nothing in the evidence" to show "deliberate intentional fraud." And yet the charge on which the trial took place was that of wilfully making a false and deceptive return to the Government. Hardly a journal that we have read has treated the case on its merits. We do not, however, feel disposed to notice at present those articles, which are evidently written without the slightest pretention to impartiality or fairness, but shall endeavor to discuss the subject with the *Monetary Times* in a spirit similar to its own.

We should infer from the remarks in the *Monetary Times* that the returns were made out under the supervision of the General Manager, Mr. Renny, and that it was not proved that Sir Francis Hincks "took an active part in the preparation of the returns," that there was a disposition in the writer to throw blame on the General Manager for falsifying the returns. No such defence was set up. The officer who had been chief accountant in the Head Office, and who subsequently became inspector, proved in evidence that the return on which the charge was based was made out precisely in the same way as it had always been since the

Consolidated Bank was established. The defence is that the return was perfectly correct, according to the belief of the accused and the practice of the Bank; but that, if any items were placed under a head different from what was deemed by judicial authority to be the right one, the uniform practice of the Bank during several years, proved by Mr. Pridham, under whose supervision it was made out, was conclusive proof against intentional falsification. The *Monetary Times* seems to us to shrink from pronouncing a decided opinion as to the correctness of the return, while it has distinctly admitted the innocence of intention. The alleged falsification was on two points,—one in the statement of liabilities, the other in that of assets. How should loans from one bank to another on deposit receipts payable on a future day be classed? Should they have been put under the heading "due to other banks in Canada?" The *Monetary Times* admits that the "loans in question were *owing* by the Consolidated, but they were not *due* to other banks." It then quotes Mr. Ingram's evidence, "a time loan placed as *due* to other banks *would mislead the public*." Again it quoted Mr. Angus, "strictly speaking a time loan is *not due till it matures*." Again it says, "To put down as due a loan which had some time to run *would be inexact and misleading*." The foregoing extracts are conclusive against the charge that the loans should have been put as "due to other banks;" but what we object to is that the *Monetary Times* discusses the subject as if the executive of the Bank had deliberated as to the mode of making the specific return, which was the subject of the charge, and had had a choice. It says, "the motive is easily understood." "The officials wished to make it appear that the Bank was not losing deposits, when it was notorious that deposits were being rapidly withdrawn." And yet, while the *Monetary Times* thus imputes "a motive" for making the special return on which the charge was based, he admits that Sir Francis Hincks "seems to have been the victim of *a practice* which, as was proved on the trial, was not confined to the Consolidated Bank." This is blowing hot and cold, as it appears to us. There must be an established practice from which the Bank could not depart at its own pleasure. That practice was to place loans obtained on deposit receipts, payable at a future day, under the head of "deposits payable after notice," but it is argued that the effect was to deceive, and yet Mr. E. L. Bond admitted in cross-examination that it was known "on the street" that the Bank was borrowing. The names of the lending banks were also perfectly well known. The *Monetary Times* admits that "it was *notorious* that deposits were being rapidly withdrawn," and yet "a motive" is suggested for concealing what was so generally known as to be *notorious*. Can it be imagined for a moment that if either Mr. Angus or Mr. Grindley, who were perfectly cognizant of the loans, and of the head in the return to the Government under which they were placed, had believed that this was a falsification, they would have failed to intimate to the General Manager of the Consolidated Bank that his return was false? The *Monetary Times* expresses the opinion that "there was no warrant for making them swell the item of deposits," and yet in the very next sentence admits "to do so was in accordance with precedent, and the result shows the danger of adopting doubtful precedents without due consideration." We submit that the view taken in the

Monetary Times is by no means satisfactory. It must be borne in mind that since the passage of the Banking Act, nearly ten years ago, no less than two amending Acts have been passed relating to the returns, and yet the heads are still so obscure that we are told that whichever form is adopted is "a choice of evils."

We proceed to consider what the *Monetary Times* has to say regarding the alleged falsification of the assets by placing "overdrafts" under the head of notes and bills discounted and current. It cannot be denied that the general usuage of banks has been precisely that of the Consolidated, and it is certainly going a great length to affirm, as the *Monetary Times* does, that overdrafts "ought not to be permitted at all, as the return gives no place for them." It may be admitted that the English form "bills discounted, loans, overdrafts, &c.," is more precise than ours, and that if it be expedient to have the overdrafts stated separately there should be a distinct head, as in the United States. There is in our return no heading under which "overdrafts" could be placed but bills discounted and current and "other assets not included under the foregoing heads," and to place them under such a heading would really convey no information either to the Government or to the public. At all events, the Consolidated Bank never from the period of the first return for May, 1876, placed any amount under either of the heads "liabilities not included under the foregoing heads" and "other assets not included under the foregoing heads." Those headings are held by the executive of that Bank to have been intended for items wholly unforeseen by those who prepared the return. Neither time loans from other banks, nor overdrafts, which are ordinary banking transactions, could possibly have escaped notice. The inference is that it was not deemed expedient to place them under specific heads, and there are obvious objections to a statement of the former, owing to the widely different circumstances under which loans to banks are made. It is far from unusal for a bank to make loans on a deposit receipt for its own convenience, either for the purpose of making use of surplus funds or of selling sterling exchange. If all such loans had to be stated, the borrowing bank would be exposed to the imputation of being so weak as to have been compelled to borrow, and might be subjected to remarks which would effect its credit. Whatever may be the judicial interpretation placed on the particular items which have led to the late criminal charge, we cannot entertain a doubt that the subject will be promptly taken up by the Government, and the form of return amended. As the *Monetary Times* justly observes: "There is also clearly a distinction between the floating balances which arises from day to day in the dealings of banks between one another, and the loans which are sometimes made by one bank to another for mutual convenience. The return, however, provides only for the former of these. It is this want of completeness in the form of return which has led to the diversities of practice among bankers with regard to the item referred to, some contending that the two should appear under the one heading, and others under another."

THE CIVIL SUITS.

Province of Quebec,
District of Montreal. } SUPERIOR COURT.

JOHN MONK, *Plaintiff,*

vs.

THE CONSOLIDATED BANK OF CANADA, *Defendants.*

The plaintiff, Mr. JOHN MONK, of the City and District of Montreal, Esquire, Advocate, complains of the Consolidated Bank of Canada, a body politic and corporate, duly incorporated, and having its chief place of business at the City and District of Montreal, defendants, and declares—

That, in the year eighteen hundred and sixty-six, the said Consolidated Bank of Canada was incorporated by an Act of the Parliament of Canada, with a capital of four million dollars, and thereafter was organized and carried on, and still carries on the business of banking at Montreal, aforesaid, and elsewhere in the Dominion of Canada, its subscribed capital being about three million five hundred thousand dollars.

That, under and by virtue of the statutes in force in Canada relating to Banks and Banking, the Directors of the said Consolidated Bank of Canada, the defendants, were bound at every annual meeting to submit a clear and full statement of the affairs of the Bank, containing on the one part the amount of the capital stock paid in, the amount of notes of the Bank in circulation, and net profits made, the balances due to other banks and institutions, and the cash deposited in the Bank, distinguishing deposits bearing interest from those not bearing interest, and on the other part the amount of the current coin, the gold and silver bullion, and the amount of Dominion notes in the vaults of the Bank, the balances due to the Bank from other Banks and institutions, the value of the real and other property of the Bank, and the amount of debts owing to the Bank, including and particularizing the amounts so owing upon bills of exchange, discounted notes, mortgages and other securities. Such statement to exhibit on the one hand the liabilities of or the debts due by the Bank, and on the other hand the assets and resources thereof, and also the rate and amount of the last dividend declared by the Directors, the amount of reserved profits at the time of declaring the said dividend,

and the amount of debts due to the Bank, overdue and not paid, with an estimate of the loss which might probably accrue thereon; and the said Bank was also bound to make monthly returns to the Government in the form, and at the times prescribed by law, exhibiting the condition of this Bank on the last juridical day of each month.

That in and by the said statutes relating to Banks and Banking it is enacted that no dividend or bonus shall ever be made so as to impair the paid-up capital of the Bank, and that if any part of the paid-up capital be lost the directors shall, if all the subscribed stock be not paid up forthwith, make calls upon the shareholders to an amount equivalent to such losses, and such losses (and the calls, if any) shall be mentioned in the return then next made by the Bank to the Government, provided that in any case where the capital has been impaired as aforesaid, all net profits shall be applied to make good such loss.

That, on and before the 20th day of April, 1878, the paid-up capital of the said Consolidated Bank of Canada had been, to the knowledge of the said Bank and of its directors and officers, largely impaired, to wit, to an amount exceeding one million dollars; but the directors of the said Bank, on or about the last mentioned day, fraudulently contriving and intending to conceal the true state of the affairs of the said Bank, and to induce the plaintiff and others to become shareholders in the said Bank, whilst the said paid-up capital was so impaired as aforesaid, illegally and willfully declared, and subsequently paid, a dividend of three per centum, amounting to the sum of $104,020 60, thereby further impairing the same, and on or about the 24th day of October last, 1879, the said directors, whilst the said paid-up capital continued so impaired, and had been still further largely impaired with like knowledge and fraudulent intent, illegally and wilfully declared, and subsequently paid a dividend of three per centum. amounted to $104,020 60 upon such paid-up capital, thereby still further impairing the same.

That although well knowing that a large portion of the capital of the said Bank, to wit, an amount exceeding two millions of dollars, had been lost, and although all the subscribed stock of the said Bank had not been paid up, the directors of the said Bank fraudulently contriving and intendiug to conceal the true state of the affairs of the Bank, and to induce the plaintiff and others to become shareholders in the same, illegally and wilfully neglected, from and after the said 20th day of April, 1878, up to and including January last, to make calls upon the shareholders and to mention such loss in any of the monthly returns made by the said Bank to the Government, and to apply all net profits to make good such loss.

That on or about the 8th day of June, 1878, an annual meeting of the shareholders of the said Bank was duly held at Montreal aforesaid for the election of directors, and at such meeting the then outgoing directors of the said Bank, pretending to comply with the provisions of the 36th section of the Act 34 Victoria, chapter 5, but fraudulently contriving and intending to deceive the said shareholders and the public, and to conceal the true state of the affairs of the said Bank, and to induce the plaintiff and others to become shareholders in the said Bank, sub-

mitted to the said shareholders, and subsequently caused to be published a wilfully false and deceptive statement—and which the said directors knew to be false in every material particular—of the affairs of the said Bank, whereby the said affairs were falsely and fraudulently shown to be in a prosperous and flourishing condition, and whereby it was falsely made to appear that there existed a large amount, to wit, upwards of $241,793.79 of reserved profits over and above the paid-up capital, whereas in truth there were no such reserved profits, but on the contrary, as the said directors then well knew a large portion, to wit, upwards of one million dollars of the paid up capital of the said Bank had been and was lost.

That on or about the 6th day of December last, 1878, the said Consolidated Bank of Canada and its Directors and officers well knowing that a large portion of the paid up capital of the said Bank had been and was lost as aforesaid, but fraudulently contriving and intending to conceal the true state of the affairs of the said Bank, and to induce the plaintiff and others to become shareholders in the said Bank, illegally and wilfully made to the Government and issued and subsequently caused to be published a return of the amount of the liabilities and assets of the said Bank as on the 30th day of November last, which contained wilfully false and deceptive statements respecting the affairs of the said Bank and which was false in every material particular.

The declaration goes on to set forth the particulars of these inaccuracies and false statements made in the reports and verbally and otherwise by the president and directors, and continues that on and from and after the 21st day of December last, up to and including the 23rd day of January last, the said plaintiff, relying upon the fact that the said dividends had been so declared and paid as aforesaid, and relying upon and being misled and deceived by the said statement so submitted to the said shareholders at the said annual meeting and subsequently published as aforesaid, and relying upon and being misled and deceived by the said returns so made by the said Bank to the Government and published as aforesaid, purchased and acquired three hundred and twenty-seven shares of the capital stock of the said Bank at a cost of $18,518.50 which shares the said plaitiff still holds.

That on or about the 1st day of August last the said Consolidated Bank of Canada suspended payment, and it then became known to the public that a large portion of, not the whole of the paid-up, capital of the said Bank had become and was lost, and the said three hundred and twenty-seven shares of the capital of the said Bank so purchased and acquired, now held by the said plaintiff, have became and now are wholly worthless, and the said sum of $18,578.50 paid by the said plaintiff has became wholly lost to him, that the said plaintiff was induced to become and did become a shareholder in the said Bank for the said number of shares by the said fraudulent and illegal acts and omissions aforesaid of the said Bank and its directors and officers and not otherwise, and the loss by him sustained as aforesaid has been caused by such fraudulent and illegal acts and omissions, by which he has suffered damage to the amount of $25,000.

By means of which said several premises and by the law the said Consolidated Bank of Canada has became liable, and being so liable has frequently promised to pay to the said plaintiff the said sum of $25,000, but now refuses to do so. Wherefore the said plaintiff prays that the said Consolidated Bank of Canada, the defendant, be adjudged and condemned to pay him, the said plaintiff, the sum of $25,000, with interest and costs, including costs of exhibits.

J. P. BUTLER,

Montreal, 8th October, 1879. *Attorney for Plaintiff.*

INDEX.

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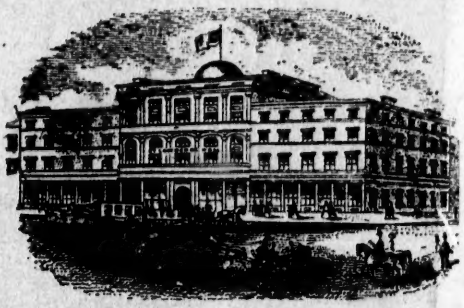

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